SECURITIES AND EXCHANGE COMMISSION

FORM 497

Definitive materials filed under paragraph (a), (b), (c), (d), (e) or (f) of Securities Act Rule 497

Filing Date: **1994-01-26**
SEC Accession No. 0000748009-94-000002

(HTML Version on secdatabase.com)

FILER

OPPENHEIMER NEW YORK TAX EXEMPT FUND
CIK:**748009**| IRS No.: **133222130** | Fiscal Year End: **0930**
Type: **497** | Act: **33** | File No.: **002-91683** | Film No.: **94502711**

Business Address
TWO WORLD TRADE CTR
NEW YORK NY 10048
2123230200

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Oppenheimer New York
Tax-Exempt Fund

Two World Trade Center, New York, NY 10048-0203
Telephone 1-800-525-7048

Oppenheimer New York Tax-Exempt Fund (the "Fund") is a mutual fund with the investment objective of seeking the maximum current income exempt from Federal, New York State and New York City income taxes for individual investors that is consistent with preservation of capital. The Fund seeks to achieve this objective by investing in municipal obligations, the income from which is tax-exempt as described above. The Fund may also use certain Hedging Instruments in an effort to protect against market risks, but not for speculation.

The Fund offers two classes of shares which may be purchased at a price equal to their respective net asset value per share, plus a sales charge. The investor may elect to purchase shares with a sales charge imposed (i) at the time of purchase (the "Class A shares"), or (ii) on a contingent deferred basis (the "Class B shares"). Class B shares are also subject to an additional asset-based sales charge. The contingent deferred sales charge will be imposed on most redemptions of Class B shares within six years of purchase. These alternatives permit an investor to choose the method of purchasing shares that is more beneficial to that investor depending on the amount of the purchase, the length of time the investor expects to hold the shares and other circumstances. See "How to Buy Shares - Alternative Sales Arrangements" below for further details.

This Prospectus sets forth concisely information about the Fund that a prospective investor should know before investing. A Statement of Additional Information about the Fund (the "Additional Statement") dated January 25, 1994 has been filed with the Securities and Exchange Commission ("SEC") and is available without charge upon written request to Oppenheimer Shareholder Services (the "Transfer Agent"), P.O. Box 5270, Denver, Colorado 80217 or by calling the Transfer Agent at the toll-free number shown above. The Additional Statement (which is incorporated by reference in its entirety in this Prospectus) contains more detailed information about the Fund and its management, including more complete information as to certain risk factors.

Investors are advised to read and retain this Prospectus for future reference. Shares of the Fund are not deposits or obligations of any bank, are not guaranteed by any bank, and are not insured by the FDIC or any other agency, and involve investment risks, including the possible loss of principal.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

This Prospectus is effective January 25, 1994.

Table Of Contents

Page

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Fund Expenses

The following table sets forth the fees that an investor in the Fund might pay and the expenses paid by the Fund during its fiscal year ended September 30, 1993 (as to Class A shares) and its fiscal period ended September 30, 1993 (as to Class B shares). The public sale of Class B shares commenced on March 1, 1993.

Shareholder Transaction Expenses

	Class A Shares	Class B Shares
Maximum Sales Charge on Purchases (as a percentage of offering price)	4.75%	None
Sales Charge on Reinvested Dividends	None	None
Maximum Contingent Deferred Sales Charge on Redemptions	None(1)	5.0%(2)
Redemption Fee	None	None
Exchange Fee	$5.00	$5.00

Annual Fund Operating Expenses
(as a percentage of average
net assets)

	Class A Shares	Class B Shares
Management Fees	.52%	.52%
12b-1 (Distribution and/or Service Plan) Fees	.24%	1.00%
Other Expenses	.15%	.21%
Total Fund Operating Expenses	.91%	1.73%

____

(1) Certain Class A share purchases of $1 million or more are not subject to front-end sales charges, but a contingent deferred sales charge (maximum of 1.0%) is imposed on the proceeds of such shares redeemed within 18 months of the end of the calendar month of their purchase, subject to certain conditions. See "How to Buy Shares - Class A Contingent Deferred Sales Charge," below.

(2) A contingent deferred sales charge is imposed on the proceeds of Class B shares redeemed within six years of their purchase, subject to certain exceptions. That charge is imposed as a percentage of net asset value at the time of purchase or redemption, whichever is less, and declines from 5.0% in the first year that shares are held, to 4.0% in the second year, 3.0% in the third and fourth years, 2.0% in the fifth year, 1.0% in the sixth year and eliminated thereafter. There is no charge on Class B shares held for more than six years. See "How to Buy Shares - Class B Contingent Deferred Sales Charge," below.

The purpose of this table is to assist an investor in understanding the various costs and expenses that an investor in the Fund will bear directly (shareholder transaction expenses) or indirectly (annual fund operating expenses). The sales charge rate shown for Class A shares is the current maximum rate applicable to purchases of Class A shares of the Fund. Investors in Class A shares may be entitled to reduced sales charges based on the amount purchased or the value of shares already owned and may be subject to a contingent deferred sales charge in limited circumstances (see "How to Buy Shares - Class A Contingent Deferred Sales Charge"). Class B shares were not publicly offered prior to March 1, 1993. "Other Expenses" includes such expenses as custodial and transfer agent fees, audit, legal and other business operating expenses, but excludes extraordinary expenses. For further details, see "Dual Class Methodology" and the Fund's financial statements, both included in the Additional Statement.

The following examples apply the above-stated expenses and the current maximum sales charges to a hypothetical $1,000 investment in shares of the Fund over the time periods shown below, assuming a 5% annual rate of return on the investment. The amounts shown below are the cumulative costs of such hypothetical $1,000 investment for the periods shown and, except as indicated in lines 3 and 4, assume that the shares

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

are redeemed at the end of each stated period.

	1 year	3 years	5 years	10 years(1)
1. Class A Shares	$56	$75	$ 96	$154
2. Class B Shares	$68	$84	$114	$162
3. Class A Shares, assuming no redemption	$56	$75	$ 96	$154
4. Class B Shares, assuming no redemption	$18	$54	$94	$162

____

(1) Class B shares convert to Class A shares under the terms and conditions described under "How to Buy Shares - Class B Conversion Feature." Therefore, years 7 through 10 reflect the Class A expenses shown above. Long-term shareholders of Class B shares could pay the economic equivalent, through the asset-based sales charge and contingent deferred sales charge imposed on Class B shares, of more than the maximum front-end sales charges permitted under applicable regulatory requirements. The Class B Conversion Feature is intended to minimize the likelihood that this will occur.

This example should not be considered a representation of past or future expenses or performance. Expenses are subject to change and actual performance and expenses may be less or greater than those illustrated above.

Financial Highlights

Selected data for a Class A and a Class B share of the Fund outstanding throughout each period

The information in the table below has been audited by KPMG Peat Marwick, independent auditors, whose report on the financial statements of the Fund for the fiscal year ended September 30, 1993 (as to Class A shares) and the fiscal period ended September 30, 1993 (as to Class B shares), is included in the Additional Statement. The public sale of Class B shares commenced March 1, 1993.

<TABLE>
<CAPTION>

	Class A										Class B
									Ten Months Ended September 30,	Period Ended November 30,	Period Ended September 30,
				Year Ended September 30,							
	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984+	1993+++
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	
Per Share Operating Data:											
Net asset value, beginning of period	$ 12.59	$ 12.21	$ 11.61	$ 11.87	$ 11.91	$ 11.60	$ 12.51	$ 10.98	$ 10.32	$10.00	$ 13.07
Income from investment operations:											
Net investment income	.73	.79	.81	.83	.84++	.88++	.90++	.86	.76	.22	.36
Net realized and unrealized gain (loss) on investments	1.01	.47	.64	(.25)	.01	.45	(.79)	1.62	.67	.27	.44
Total income from investment operations	1.74	1.26	1.45	.58	.85	1.33	.11	2.48	1.43	.49	.80
Dividends and distributions to shareholders:											
Dividends from net investment income	(.75)	(.75)	(.81)	(.83)	(.83)	(.94)	(.88)	(.86)	(.77)	(.17)	(.37)
Distributions from net realized gain on investments	(.08)	(.13)	(.04)	(.01)	(.06)	(.08)	(.14)	(.09)	--	--	--
Total dividends and distributions to shareholders	(.83)	(.88)	(.85)	(.84)	(.89)	(1.02)	(1.02)	(.95)	(.77)	(.17)	(.37)
Net asset value, end of period	$ 13.50	$ 12.59	$ 12.21	$ 11.61	$ 11.87	$ 11.91	$ 11.60	$ 12.51	$ 10.98	$10.32	$ 13.50
Total Return, at Net Asset Value**	14.33%	10.72%	12.93%	4.95%	6.91%	11.48%	.29%	22.73%	13.37%	4.96%	

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

6.56%

Ratios/Supplemental Data:											
Net assets, end of period (in thousands)	$756,934	$530,260	$349,480	$250,012	$197,321	$116,931	$79,479	$50,810	$28,166	$3,132	$40,958
Average net assets (in thousands)	$652,327	$436,876	$292,134	$227,504	$156,572	$ 95,996	$65,102	$42,907	$15,240	$1,000	$20,454
Number of shares outstanding at end of period (in thousands)	56,087	42,119	28,617	21,533	16,618	9,817	6,851	4,061	2,565	304	3,033
Ratios to average net assets:											
Net investment income	5.66%	6.33%	6.81%	6.97%	7.07%	7.48%	7.33%	7.10%	8.05%*	8.40%*	4.45%*
Expenses	.91%	.96%	.96%	.99%	.98%++	.90%++	.67%++	.86%	1.00%*	.97%*	1.73%*
Portfolio turnover rate***	39.1%	30.5%	8.9%	13.3%	11.8%	11.7%	22.9%	29.7%	126.3%	17.1%	39.1%

<FN>
*Annualized.

**Assumes a hypothetical initial investment on the business day before the first day of the fiscal year, with all dividends and distributions reinvested in additional shares on the reinvestment date, and redemption at the net asset value calculated on the last business day of the fiscal year. Sales charges are not reflected in the total returns.

***The lesser of purchases or sales of portfolio securities for a period, divided by the monthly average of the market value of portfolio securities owned during the period. Securities with a maturity or expiration date at the time of acquisition of one year or less are excluded from the calculation. Purchases and sales of investment securities (excluding short-term securities) for the year ended September 30, 1993 were $477,133,982 and $250,274,906.

++Net investment income would have been $.83, $.87 and $.88 absent the voluntary assumption of expenses, resulting in an expense ratio of 1.00%, 1.02% and .85% for 1989, 1988 and 1987, respectively.

+++For the period from March 1, 1993 (inception of offering) to September 30, 1993.
</TABLE>

The Fund And Its Investment Policies

The Fund is an open-end, diversified management investment company organized as a Massachusetts business trust in 1984. Its investment objective is to seek maximum current income exempt from Federal, New York State and New York City income taxes for individual investors consistent with preservation of capital. Toward that objective, the Fund may use certain Hedging Instruments (discussed below) in an effort to protect against market risks. Since market risks are inherent in all securities to varying degrees, assurance cannot be given that the Fund will achieve its investment objective. The Fund's investment policies and practices are not "fundamental" policies (as defined below) unless a particular policy is identified as fundamental. The Board may change non-fundamental investment policies without shareholder approval.

Municipal Securities

Under normal market conditions, the Fund attempts to invest 100% of its assets, and as a matter of fundamental policy to invest at least 80% of its assets, in municipal bonds, municipal notes (including tax anticipation notes, bond anticipation notes, revenue anticipation notes, construction loan notes and other short-term loans), tax-exempt commercial paper, certificates of participation, participation interests and other debt obligations issued by or on behalf of the State of New York, other states and the District of Columbia, their political subdivisions, or any commonwealth or territory of the United States, or their respective agencies, instrumentalities or authorities, the interest from which is not subject to Federal individual income tax, in the opinion of bond counsel to the respective issuer (collectively, "Municipal Securities"). Under normal market conditions, as a matter of fundamental policy, the Fund will invest at least 65% of its total assets in obligations of the State of New York and its political subdivisions, agencies, authorities or

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

instrumentalities, the interest from which is not subject to New York State individual income tax in the opinion of bond counsel to the respective issuer ("New York Municipal Securities"). The balance of the Fund's assets may be invested in investments the income from which may be taxable, including: (i) Municipal Securities issued to benefit a private user ("Private Activity Municipal Securities"), the interest from which may be subject to Federal alternative minimum tax (see "Dividends, Distributions and Taxes"); (ii) certain temporary investments (described below in "Temporary Investments"); (iii) Hedging Instruments (see "Covered Calls and Hedging," below); and (iv) repurchase agreements (explained below).

The two principal classifications of Municipal Securities are "general obligations" (secured by the issuer's pledge of its full faith, credit and taxing power for the payment of principal and interest) and "revenue obligations" (payable only from the revenues derived from a particular facility or class of facilities, or specific excise tax or other revenue source). See "Investment Objective and Policies" in the Additional Statement for further information about the Fund's investment policies and about Municipal Securities.

The Fund may hold temporary investments pending the investment of proceeds from the sale of Fund shares or portfolio securities, pending settlement of purchases of Municipal Securities, or to meet anticipated redemptions. Normally, the Fund will not invest more than 20% of its total assets in Private Activity Municipal Securities and other taxable investments described above. However, in times of unstable economic or market conditions, when the Fund's investment adviser, Oppenheimer Management Corporation (the "Manager"), determines it appropriate to do so, the Fund may assume a temporary defensive position and invest an unlimited amount of its assets in temporary defensive investments. See "Temporary Investments," below.

Dividends paid by the Fund derived from interest attributable to New York Municipal Securities will be exempt from Federal, New York State and New York City individual income taxes. Dividends derived from interest on Municipal Securities of other governmental issuers will be exempt from Federal income tax for individuals, but will be subject to New York State and New York City individual income taxes. Any net interest income on taxable investments will be taxable as ordinary income when distributed to shareholders (see "Dividends, Distributions and Taxes," below).

Municipal Securities purchased by the Fund must be rated within the four highest rating categories of Moody's Investors Service, Inc. ("Moody's") or Standard & Poor's Corporation ("S&P") or, if unrated, judged by the Manager to be of comparable quality to Municipal Securities rated within such grades; see Appendix A of the Additional Statement for a description of those rating categories. Investments in unrated Municipal Securities will not exceed 20% of the Fund's total assets. A subsequent reduction in the rating will not require disposition of a security. Securities which have fallen below investment grade have a greater risk that the ability of the issuers of those securities to meet their debt obligations will be impaired. Municipal Securities purchased for the Fund's portfolio generally will have an average weighted maturity of approximately 7 to 30 years. Municipal Securities rated either "Baa" or "MIG2" by Moody's or "BBB" or "SP-2" by S&P, although investment grade, may be subject to greater market fluctuations and risks of loss of income and principal than higher-rated Municipal Securities and may be considered to have speculative characteristics. The foregoing ratings restrictions do not apply to banks in which the Fund's cash is kept.

The values of Municipal Securities will vary as a result of changing evaluations by rating services and investors of the ability of the issuers of such securities to meet the interest and principal payments (see "Special Considerations - New York Municipal Securities," below). Such values also will change in response to changes in interest rates. Should interest rates rise, the values of outstanding Municipal Securities will decline and (if purchased at principal amount) would sell at a discount. If interest rates fall, the values of outstanding Municipal Securities will increase and (if purchased at principal amount) would sell at a premium. Changes in the values of the Fund's Municipal Securities from these or other factors will not affect interest income derived from these securities but will affect the Fund's net asset value per share.

- Municipal Lease Securities. The Fund may invest in municipal lease obligations. While some municipal lease securities may be deemed to be "illiquid" securities (the purchase of which would be limited as described below in "Repurchase Agreements"), from time to time the Fund may invest more than 5% of its net assets in municipal lease obligations that the Manager has determined to be liquid under guidelines set by the Fund's Board of Trustees. Those guidelines require the Manager to evaluate: (1) the frequency of trades and price quotations for such securities, (2) the number of dealers or other potential buyers willing to purchase or sell such securities; (3) the availability of market-makers; and (4) the nature of the trades for such securities. The Manager will also evaluate the likelihood of a continuing market for such securities throughout the time

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

they are held by the Fund and the credit quality of the instrument.

- When-Issued Securities. The Fund may invest in Municipal Securities on a "when-issued" or "delayed delivery" basis. The price, which is generally expressed in yield terms, is fixed at the time the commitment is made, but delivery and payment for when-issued securities takes place at a later date (normally within 45 days of purchase). No income accrues to the Fund until it takes delivery of when-issued securities. The Fund is subject to the risk of adverse market fluctuation between purchase and settlement. The Manager does not believe that the Fund's net asset value or income will be materially adversely affected by its purchase of Municipal Securities on a "when-issued" or "delayed delivery" basis. See "When-Issued and Delayed Delivery Transactions" in the Additional Statement for more details.

Special Considerations - New York Municipal Securities

Because the Fund concentrates its investments in New York Municipal Securities, the market value and marketability of such Municipal Securities and the interest income and repayment of principal to the Fund from them could be adversely affected by a default or financial crisis relating to any of such issuers. Investors should consider these matters and the financial difficulties experienced in past years by New York State and certain of its agencies and subdivisions (particularly New York City), as well as economic trends in New York, summarized in the Additional Statement under "Special Investment Considerations - New York Municipal Securities." In addition, the Fund's portfolio securities are affected by general changes in interest rates, which result in changes in the value of portfolio securities held by the Fund, which can be expected to vary inversely to changes in prevailing interest rates.

Covered Calls and Hedging

The Fund may sell ("write") covered call options to enhance income for liquidity purposes. For hedging purposes, it may purchase certain put and call options, Interest Rate Futures and Municipal Bond Index Futures (described below), and options on Interest Rate Futures and Municipal Bond Index Futures, all of which are referred to as "Hedging Instruments." In general, the Fund may use Hedging Instruments: (i) to attempt to protect against declines in the market value of the Fund's portfolio and thus protect the Fund's net asset value against downward trends in the debt securities market, or (ii) to establish a position in the debt securities market as a temporary substitute for the purchase of particular debt securities. The Fund will not use Hedging Instruments for speculation. The Hedging Instruments the Fund may use are described below and in greater detail under "Covered Calls and Hedging" in the Additional Statement.

- Writing Covered Call Options. The Fund may write call options ("calls") if: (i) after any sale not more than 25% of the Fund's total assets are subject to calls; (ii) the calls are listed on a domestic securities exchange or quoted on the automatic quotation system of the National Association of Securities Dealers, Inc. ("NASDAQ"); and (iii) the calls are "covered," i.e., the Fund owns the securities or futures subject to the call (or other securities acceptable for applicable escrow requirements) while the call is outstanding. If a covered call written by the Fund is exercised, the Fund forgoes any profit from any increase in the market price above the call price of the underlying investment on which the call was written.

- Purchasing Puts and Calls. The Fund may purchase put options ("puts") which relate to: (i) securities held by it, or (ii) Interest Rate Futures or Municipal Bond Index Futures (whether or not it holds such futures in its portfolio). The Fund may not write puts other than those it previously purchased. The Fund may purchase calls: (a) as to debt securities, Interest Rate Futures or Municipal Bond Index Futures, or (b) to effect a "closing purchase transaction" to terminate its obligation as to a call it has previously written. A call or put may be purchased only if, after such purchase, the value of all put and call options held by the Fund would not exceed 5% of the Fund's total assets. "Covered Calls and Hedging" in the Additional Statement contains more information about options, including the payment of premiums for option trades, and on the tax effect, risks and possible benefits to the Fund from options trading.

- Interest Rate Futures and Municipal Bond Index Futures. The Fund may buy and sell futures contracts only if they relate to debt securities ("Interest Rate Futures") or municipal bond indices ("Municipal Bond Index Futures").

- Risks of Options and Futures Trading. "Covered Calls and Hedging" in the Additional Statement contains further information about the characteristics, risks and possible benefits of Interest Rate Futures, Municipal Bond Index Futures and options on such Futures, and the Fund's other limitations (which are not fundamental policies) on investment in such Futures and options thereon. The principal risks are: (i) possible imperfect correlation between the prices of the Futures and the market

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

value of the Fund's portfolio securities; (ii) possible lack of a liquid secondary market for closing out a Futures position; (iii) the need for additional skills and techniques beyond normal portfolio management; and (iv) losses resulting from market movements not anticipated by the Manager.

Repurchase Agreements

The Fund may acquire securities that are subject to repurchase agreements, to generate income for liquidity purposes. If the vendor fails to pay the agreed-upon resale price upon the delivery date, the Fund's risks in such event may include any costs of disposing of the collateral, and any loss from any delay in foreclosing on the collateral. The Fund will limit its holdings of illiquid securities, including debt securities for which there is no established market and repurchase agreements having a maturity beyond seven days, to 10% of its assets. Normally, no more than 20% of the Fund's assets may be subject to repurchase agreements. See "Repurchase Agreements" in the Additional Statement for further details.

Loans of Portfolio Securities

To attempt to increase its income and for liquidity purposes, the Fund may lend its portfolio securities (other than in repurchase transactions) to qualified borrowers if the loan is collateralized in accordance with applicable regulatory requirements and if, after any loan, the value of the securities loaned does not exceed 25% of the value of the Fund's total assets. The Fund presently does not intend that the value of securities loaned will exceed 5% of the value of the Fund's total assets during its current fiscal year. See "Loans of Portfolio Securities" in the Additional Statement for further information on loans of portfolio securities.

Temporary Investments

Temporary investments include: (i) obligations issued or guaranteed by the U.S. Government or its agencies or instrumentalities, (ii) "prime" commercial paper rated "A-1" by S&P or "Prime-1" by Moody's, (iii) corporate debt securities rated within the three highest categories by an established rating agency, and (iv) certificates of deposit of domestic banks with assets of $1 billion or more. To the extent the Fund assumes a temporary defensive position, a significant portion of the Fund's distributions may be subject to Federal, New York State and local income taxes.

Investment Restrictions

The Fund has certain investment restrictions which, together with its investment objective, are fundamental policies changeable only by a vote of a "majority" (as defined in the Investment Company Act of 1940 [the "Investment Company Act"]) of the Fund's outstanding voting securities. Under some of those restrictions, the Fund cannot: (1) Invest in securities or any other investment other than the types described in "The Fund and Its Investment Policies," above; (2) With respect to 75% of its assets, purchase securities issued or guaranteed by any one issuer (other than the U.S. Government or its agencies or instrumentalities), if more than 5% of the Fund's total assets would be invested in securities of that issuer or the Fund would then own more than 10% of that issuer's voting securities; (3) Invest more than 25% of its assets in any industry; however, for the purposes of this restriction, Municipal Securities and U.S. Government obligations are not considered to be part of any single industry; (4) Make loans, except that the Fund may (i) purchase debt securities described in "The Fund and Its Investment Policies" and repurchase agreements, and (ii) lend its portfolio securities as described in "Loans of Portfolio Securities"; (5) Borrow money in excess of 10% of the value of its total assets or make any investment when borrowings exceed 5% of the value of its total assets; it may borrow only as a temporary measure for extraordinary or emergency purposes; (6) Pledge, mortgage or otherwise encumber, transfer or assign any of its assets to secure a debt; collateral arrangements for premium and margin payments in connection with Hedging Instruments are not deemed to be a pledge of assets; or (7) Buy or sell futures contracts other than Interest Rate Futures or Municipal Bond Index Futures. The percentage restrictions described above and in the Additional Statement apply only at the time of investment and require no action by the Fund as a result of subsequent changes in value of the investments or the size of the Fund. A supplementary list of investment restrictions is contained in "Investment Restrictions" in the Additional Statement.

Management Of The Fund

The Fund's Board of Trustees has overall responsibility for the management of the Fund under the laws of Massachusetts governing the responsibilities of trustees of business trusts. Subject to the authority of the Board of Trustees, the Manager is responsible for day-to-day management of the Fund's business, supervises the investment operations of the Fund and the composition of its portfolio and furnishes the Fund advice and recommendations with respect to investments, investment

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

policies and the purchase and sale of securities pursuant to an investment advisory agreement (the "Agreement") with the Fund. Under the Agreement, the Fund pays a management fee monthly to the Manager computed on the net asset value of the Fund as of the close of each business day at the following annual rates: 0.60% of the first $200 million of net assets; 0.55% of the next $100 million; 0.50% of the next $200 million; 0.45% of the next $250 million; 0.40% of the next $250 million; and 0.35% of net assets in excess of $1 billion. "Investment Management Services" in the Additional Statement contains more information about the Agreement, including a description of expense assumption arrangements, exculpation provisions and portfolio transactions of the Fund.

Robert E. Patterson is a Senior Vice President of the Manager who serves as the Portfolio Manager and a Vice President of the Fund. Since November, 1985, he has been primarily responsible for the day-to-day management of the Fund's portfolio. During the past five years, Mr. Patterson has also served as an officer and portfolio manager for other OppenheimerFunds. For more information about the Fund's other officers and Trustees, see "Trustees and Officers" in the Additional Statement.

The Manager has operated as an investment adviser since April 30, 1959. The Manager and its affiliates currently advise U.S. investment companies with assets aggregating over $25 billion as of September 30, 1993, and having more than 1.8 million shareholder accounts. The Manager is owned by Oppenheimer Acquisition Corp., a holding company owned in part by senior management of the Manager and ultimately controlled by Massachusetts Mutual Life Insurance Company, a mutual life insurance company which also advises pension plans and investment companies.

How To Buy Shares

Alternative Sales Arrangements

Two classes of shares of the Fund are offered under the Fund's "Alternative Sales Arrangements." The investor may elect to purchase shares with a sales charge imposed (1) at the time of purchase or on a contingent deferred basis on redemption of shares purchased in amounts over $1 million (the "Class A shares"), or (2) on a contingent deferred basis (the "Class B shares"). The contingent deferred sales charge will be imposed on most redemptions of Class B shares within six years of purchase. The Alternative Sales Arrangements permit an investor to choose the method of purchasing shares that is more beneficial to that investor depending on the amount of the purchase, the length of time the investor expects to hold the shares and other relevant circumstances. The Fund's distributor, Oppenheimer Funds Distributor, Inc. (the "Distributor"), will not knowingly accept any order of $1 million or more for Class B shares of one or more of the "Eligible Funds" listed in "Right of Accumulation" below on behalf of a single investor (not including dealer "street name" or omnibus accounts) because it generally will be more advantageous for such investor to purchase Class A shares of such Eligible Funds instead. Investors should understand that the purpose and function of the deferred sales charge and asset-based sales charges with respect to Class B shares are the same as those of the initial sales charges with respect to the Class A shares. Any financial intermediary or other person entitled to receive compensation for selling Fund shares may receive different compensation with respect to one class of shares than the other.

The two classes of shares each represent an interest in the same portfolio of investments of the Fund. However, as described in this Prospectus, each class has different shareholder privileges and features. The net income attributable to Class B shares and the dividends payable on Class B shares will be reduced by incremental expenses borne solely by that class, including the asset-based sales charge to which Class B Shares are subject. For further information, see "Purchase, Redemption and Pricing of Shares" in the Additional Statement.

The Fund's shares of either class may be purchased through any dealer or broker which has a sales agreement with the Fund's Distributor, a subsidiary of the Manager. There are two ways to make an initial investment: either (1) complete an OppenheimerFunds New Account Application and mail it with payment to the Distributor at P.O. Box 5270, Denver, Colorado 80217 (if no dealer or broker is named in the Application, the Distributor will be listed as the dealer of record), or (2) order the shares through your dealer or broker. Be certain to specify whether you intend to purchase Class A shares or Class B shares. If no instructions are provided, initial investments will be made in Class A shares and subsequent investments will be made in the same class as the most recent previous investment.

The minimum initial investment is $1,000, except as otherwise described in this Prospectus. Subsequent purchases must be at least $25 and may be made (1) through authorized dealers or brokers, (2) by forwarding payment to the Distributor with the names of all account owners, the account number and the name of the Fund, (3) automatically through Asset Builder Plans, or (4) by telephone using AccountLink, described below. Under an Asset Builder Plan, Automatic Exchange Plan,

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

403(b)(7) custodial plan or military allotment plan, initial and subsequent investments must be at least $25. The minimum initial and subsequent purchase requirements are waived on purchases made by reinvesting dividends from any of the "Eligible Funds" listed in "Right of Accumulation" below, or by reinvesting distributions from unit investment trusts for which reinvestment arrangements have been made with the Distributor. No share certificates will be issued for Class B shares, and no share certificates will be issued for Class A shares unless specifically requested in writing by an investor or the dealer or broker.

The net asset value per share of each class is determined as of 4:00 P.M. (all references to time in this Prospectus mean New York time) each day the New York Stock Exchange is open (a "regular business day") by dividing the value of the Fund's net assets attributable to that class by the number of shares of that class outstanding. The Fund's Board of Trustees has established procedures for valuing the Fund's securities. In general, those valuations are based on market value, with special provisions for: (i) securities not having readily-available market quotations, (ii) short-term debt securities and (iii) covered calls and Hedging Instruments. Further details are in "Purchase, Redemption and Pricing of Shares" in the Additional Statement. The net asset values per share of Class A and Class B shares are expected to be substantially the same; however, from time to time the net asset values of each class may differ due to differences in expenses borne by each class, as discussed under "Dual Class Methodology" in the Additional Statement.

All purchase orders received by the Distributor at its office in Denver, Colorado prior to 4:00 P.M. on a regular business day are processed at that day's offering price. However, an order received by the Distributor from a dealer or broker after the offering price is determined that day will receive such offering price if the order was received by the dealer or broker from its customer prior to 4:00 P.M., and was transmitted to and received by the Distributor prior to its close of business that day (normally 5:00 P.M.). Purchase orders received on other than a regular business day will be executed on the next succeeding regular business day. The Distributor, in its sole discretion, may accept or reject any order for purchase of the Fund's shares. The sale of shares will be suspended during any period when the determination of net asset value is suspended and may be suspended by the Board of Trustees whenever the Board judges it in the best interest of the Fund to do so.

Class A Shares

Class A shares are sold at their offering price, which (as that term is used in this Prospectus and the Additional Statement) is net asset value plus a front-end sales charge, except that as to certain purchases described below that are not subject to a front-end sales charge, the offering price is net asset value. The offering price is determined as of 4:00 P.M. each regular business day. Class A shares may not be converted into Class B shares.

The following table shows the regular front-end sales charge rates for Class A shares for a "single purchaser" (defined below in "Right of Accumulation"), together with the dealer discounts paid to dealers and the agency commissions paid to brokers (collectively, "commissions"):

Amount of Purchase	Front-end Sales Charge as Percentage of of Offering Price	Front-end Sales Charge as Approximate Percentage of Amount Invested	Commission as Percentage Of Offering Price
Less than $50,000	4.75%	4.98%	4.00%
$50,000 or more but less than $100,000	4.50%	4.71%	4.00%
$100,000 or more but less than $250,000	3.50%	3.63%	3.00%
$250,000 or more but less than $500,000	2.50%	2.56%	2.25%
$500,000 or more but less than $1 million	2.00%	2.04%	1.80%
$1 million or more	None*	None*	None*

*See "Class A Contingent Deferred Sales Charge," below.

The commissions shown in the table apply to sales through authorized dealers and brokers. Under certain circumstances, commissions up to the amount of the entire sales charge may be reallowed to dealers or brokers, who then may be deemed to be "underwriters" as defined in the Securities Act of 1933. Commission rates may vary among the funds for which the Manager and its affiliates act as investment advisers.

The Distributor may advance up to 13 months' commissions to dealers that have entered into special arrangements with the Distributor as to

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

purchases made by their clients under Oppenheimer Asset Builder Plans. If a registered representative of a securities dealer sells more than $2.5 million of Class A shares of "Eligible Funds" other than "Money Market Funds" (as that term is defined below) in a calendar year, the dealer firm is eligible to send such representative, with a guest, to a three-day sales conference (generally held in a resort), if one is sponsored and held by the Distributor; or in lieu of sending such representative, that firm may, at its option, receive the equivalent cash value of such award as additional commission. The Distributor may, from time to time, enter into arrangements with specific dealers whereby the Distributor may make additional payments to that dealer based, in part, on that dealer meeting certain sales criteria. Such additional payments may be based on sales for a specific period of time, shares of certain or all of the "Eligible Funds" (defined below) held by the dealer and/or its customers or some combination thereof.

- Class A Contingent Deferred Sales Charge. On purchases of all "Eligible Funds" by a "single purchaser" (defined below in "Right of Accumulation") aggregating $1 million or more, the Distributor will pay authorized dealers an amount equal to 1.0% of the first $2.5 million of such purchases, plus 0.50% of the next $2.5 million, plus 0.25% of such purchases in excess of $5 million. A contingent deferred sales charge ("Class A CDSC") will be deducted from the redemption proceeds of shares as to whose purchase the Distributor has made such payments to dealers if the shares are redeemed within 18 months of the end of the calendar month of their purchase. The Class A CDSC shall be an amount equal to 1.0% of the lesser of the aggregate net asset value of the redeemed shares (not including shares purchased by reinvestment of dividends or capital gains) or the original cost of such shares. However, the total Class A CDSC paid on such shares shall not exceed the aggregate commissions paid to dealers on all Class A shares of "Eligible Funds" purchased subject to a CDSC by that "single purchaser."

The Class A CDSC does not apply to purchases at net asset value described in "Other Circumstances" below and will be waived in the case of redemptions of shares made for: (i) Automatic Withdrawal Plan payments limited to no more than 12% of the original account value annually; and (ii) involuntary redemptions of shares by operation of law or under procedures set forth in the Fund's Declaration of Trust or as adopted by the Board of Trustees (collectively, "Involuntary Redemptions"). See "Transfers of Shares" in "Purchase, Redemption and Pricing of Shares" in the Additional Statement.

Some or all of the proceeds of redeemed shares on which a Class A CDSC was paid at the time of redemption and which are subsequently reinvested under the "Reinvestment Privilege" (described below) may be reinvested within 6 months of redemption without sales charge at net asset value on the reinvestment date if the investor notifies the Distributor that the privilege applies. Additionally, no Class A CDSC is charged on exchanges, pursuant to the Fund's Exchange Privilege (described below), of shares purchased subject to a Class A CDSC, except that if Class A shares acquired by exchange are redeemed within 18 months of the end of the calendar month of the initial purchase of the exchanged shares, the Class A CDSC will apply. In determining whether a Class A CDSC is payable, and the amount of any such charge, shares not subject to a Class A CDSC are redeemed first, including shares purchased by reinvestment of dividends and capital gains distributions, and then other shares are redeemed in the order of purchase.

- Reduced Sales Charges for Class A Purchases. The Class A sales charge rates in the table above may be reduced as follows:

Right of Accumulation. In calculating the sales charge rate applicable to current purchases of Class A shares, a "single purchaser" (defined below) is entitled to cumulate current purchases with the greater of: (1) amounts previously paid for, or (2) the current value (at offering price) of Class A shares of certain other "Eligible Funds" and the Fund if sold subject to an initial sales charge and if the investment is still held in one of the Eligible Funds. The Eligible Funds are those for which the Distributor or an affiliate acts as the distributor and include the following: (i) the Fund, Oppenheimer Time Fund, Oppenheimer Target Fund, Oppenheimer Tax-Free Bond Fund, Oppenheimer California Tax-Exempt Fund, Oppenheimer High Yield Fund, Oppenheimer Champion High Yield Fund, Oppenheimer Total Return Fund, Inc., Oppenheimer Asset Allocation Fund, Oppenheimer Mortgage Income Fund, Oppenheimer Discovery Fund, Oppenheimer U.S. Government Trust, Oppenheimer Global Bio-Tech Fund, Oppenheimer Global Environment Fund, Oppenheimer Global Growth & Income Fund, Oppenheimer Pennsylvania Tax-Exempt Fund, Oppenheimer Florida Tax-Exempt Fund, Oppenheimer Global Fund, Oppenheimer Fund, Oppenheimer Special Fund, Oppenheimer Equity Income Fund, Oppenheimer Gold & Special Minerals Fund, Oppenheimer Investment Grade Bond Fund, Oppenheimer Value Stock Fund, Oppenheimer Intermediate Tax-Exempt Bond Fund, Oppenheimer Insured Tax-Exempt Bond Fund, Oppenheimer Government Securities Fund, Oppenheimer Main Street Income & Growth Fund, Oppenheimer Main Street California Tax-Exempt Fund, Oppenheimer Strategic Income Fund, Oppenheimer Strategic

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Short-Term Income Fund, Oppenheimer Strategic Income & Growth Fund, Oppenheimer Strategic Investment Grade Bond Fund, and (ii) the following "Money Market Funds": Centennial Money Market Trust, Centennial Tax Exempt Trust, Centennial Government Trust, Centennial New York Tax Exempt Trust, Centennial California Tax Exempt Trust, Centennial America Fund, L.P., Oppenheimer Money Market Fund, Inc., Daily Cash Accumulation Fund, Inc., Oppenheimer Cash Reserves and Oppenheimer Tax-Exempt Cash Reserves. There is an initial sales charge on the purchase of Class A shares of each Eligible Fund except Money Market Funds (under certain circumstances described herein, redemption proceeds of Money Market Fund shares may be subject to a CDSC). The reduced sales charge applies only to current purchases.

The term "single purchaser" refers to: (i) an individual; (ii) an individual and spouse purchasing shares of the Fund for their own account or for trust or custodial accounts for their minor children; or (iii) a fiduciary purchasing for any one trust, estate or fiduciary account, including employee benefit plans created under Sections 401 or 457 of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), including related plans of the same employer. To be entitled to a reduced sales charge under the Right of Accumulation, at the time of purchase the purchaser must ask the Distributor for such entitlement and provide the account number(s) for shares of Eligible Funds owned by the "single purchaser," and the age of any minor children for whom shares are held.

Letters of Intent. By initially investing at least $1,000 and submitting a Letter of Intent (the "Letter") to the Distributor, a "single purchaser" may purchase Class A shares of the Fund and other Eligible Funds (other than the Money Market Funds) during a 13-month period at the reduced sales charge rates, or at net asset value but subject to the Class A CDSC, if applicable, applying to the aggregate amount of the intended purchases stated in the Letter. The Letter may apply to purchases made up to 90 days before the date of the Letter. The Fund and the Distributor reserve the right to amend or terminate such program at any time without prior notice. For further details, including escrow requirements, see "Letters of Intent" in the Additional Statement.

Other Circumstances. No sales charge is imposed on Class A shares of the Fund: (i) sold to the Manager or its affiliates, or to present or former officers, trustees or directors and employees (and their "immediate families," as defined in "Reduced Sales Charges" in the Additional Statement) of the Fund, the Manager and its affiliates, and to retirement plans established by them for employees; (ii) issued in plans of reorganization, such as mergers, asset acquisitions and exchange offers, to which the Fund is a party; (iii) sold to registered investment companies or to separate accounts of insurance companies having an agreement with the Manager or the Distributor; (iv) sold to dealers or brokers that have a sales agreement with the Distributor, for their own account or for retirement plans for their employees, or sold to employees (and their spouses) of such dealers or brokers or of financial institutions which have entered into a sales arrangement with such dealer or broker or the Distributor (and are identified to the Distributor by such dealer or broker); the purchaser must certify to the Distributor at the time of purchase that such purchase is for its own account (or for the benefit of such employee's spouse or minor children); (v) sold to dealers, brokers or registered investment advisers that have entered into an agreement with the Distributor providing specifically for the use of shares of the Fund in particular investment products made available to the clients of the dealer, broker or investment adviser; or (vi) purchased by the reinvestment of (a) loan repayments by a participant in a retirement plan for which the Manager or its affiliates act as Sponsor, or (b) dividends or other distributions received from the Fund or other "Eligible Funds" (other than the Cash Reserves Funds) or unit investment trusts for which reinvestment arrangements have been made with the Distributor. "Reduced Sales Charges" in the Additional Statement discusses this policy.

- Class A Service Plan. The Fund has adopted a service plan (the "Class A Plan") pursuant to Rule 12b-1 of the Investment Company Act under which the Fund will reimburse the Distributor quarterly for a portion of its costs incurred in connection with the personal service and maintenance of accounts that hold Class A shares at an annual rate not to exceed 0.25% of the average annual net assets of Class A shares of the Fund. The Distributor will use such fees received from the Fund in their entirety: (i) to compensate brokers, dealers, banks and other institutions (collectively, "Recipients") each quarter for providing personal service and maintenance of accounts that hold Class A shares, and (ii) to reimburse itself (to the extent authorized by the Board of Trustees) for its other expenditures under the Plan and its direct costs for personal service and maintenance of accounts. The services to be provided under the Class A Plan include, but shall not be limited to, the following: answering routine inquiries from the Recipient's customers concerning the Fund, providing such customers with information on their investment in Class A shares, assisting in the establishment and maintenance of accounts or sub-accounts in the Fund, making the Fund's investment plans and dividend payment options available, and providing such other information

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

and customer liaison services and the maintenance of accounts as the Distributor or the Fund may reasonably request. Payments by the Distributor to Recipients will be made quarterly and computed as of the close of business each day at an annual rate not to exceed 0.25% of the net assets of Class A shares of the Fund held in accounts of the Recipient or its customers.

The Class A Plan has the effect of increasing annual expenses of Class A shares of the Fund by up to 0.25% of the class's average annual net assets from what its expenses would otherwise be. In addition, the Manager and the Distributor may, under the Plan, from time to time from their own resources (which, as to the Manager, may include profits derived from the advisory fee it receives from the Fund) make payments to Recipients for distribution and administrative services they perform. For further details, see "Distribution and Service Plans" in the Additional Statement.

Class B Shares

Class B Shares are sold at net asset value per share without the imposition of a sales charge at the time of purchase.

- Class B Contingent Deferred Sales Charge. A contingent deferred sales charge (the "Class B CDSC") will be deducted from the redemption proceeds of Class B shares redeemed within six years of the end of the calendar month of their purchase (not including shares purchased by reinvestment of dividends or capital gains). The charge will be assessed on an amount equal to the lesser of the then current net asset value or the original purchase price of the Class B shares being redeemed. Accordingly, no Class B CDSC will be imposed on amounts representing increases in net asset value above the initial purchase price. In determining whether a Class B CDSC applies to a redemption, Class B Shares are redeemed in the following order: (1) those acquired pursuant to reinvestment of dividends or distributions, (2) those held for over six years, and (3) those held longest during the six year period.

Proceeds from the Class B CDSC are paid to the Distributor to reimburse it for its expenses related to providing distribution-related services to the Fund in connection with the sale of Class B shares. The combination of the Class B CDSC and the distribution fee retained by the Distributor (as described under "Class B Distribution and Service Plan") facilitate the sale of Class B Shares without a sales charge being deducted at the time of purchase. Any Class B CDSC required to be imposed on Class B share redemptions will be assessed according to the following schedule:

Year(s) Since End of Month In Which Purchase Order Was Accepted	Contingent Deferred Sales Charge in That Year (as % of Applicable Proceeds)
0-1	5.0%
1-2	4.0%
2-3	3.0%
3-4	3.0%
4-5	2.0%
5-6	1.0%
6 or more	None

In the table above, a "year" is twelve months. In determining the amount of the Class B CDSC that applies and when Class B shares convert as described in the following paragraph, all purchases shall be considered as having been made on the first regular business day of the month in which the purchase was made. The Class B CDSC will be waived upon the request of the shareholder for redemptions of shares following the (i) death or (ii) complete disability (as evidenced by a certificate from the U.S. Social Security Administration) of all persons individually owning such shares of record and not as fiduciaries or agents, that occurs since the account was established. In addition, no CDSC is imposed on shares of the Fund (1) sold to the Manager or its affiliates; (2) sold to registered investment companies or separate accounts of insurance companies having an agreement with the Manager or the Distributor; (3) issued in plans of reorganization, such as mergers, asset acquisitions and exchange offers to which the Fund is a party, or (iv) redeemed in Involuntary Redemptions. See "Transfer of Shares" in the Additional Statement for further details.

- Class B Conversion Feature. At the end of the month, seventy-two months after the end of the month in which an investor's purchase order for Class B shares is accepted, such "Matured Class B shares" automatically will convert to Class A shares, on the basis of the relative net asset value of the two classes, without the imposition of any sales load or other charge. Each time any Matured Class B shares convert to Class A shares, any Class B shares acquired by the reinvestment of dividends or distributions on such Matured Class B shares that are still held will also convert to Class A shares, on the same basis. The

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

conversion feature is intended to relieve holders of Matured Class B shares of the asset-based sales charge under the Class B Distribution Plan after such shares have been outstanding long enough that the Distributor may have been compensated for distribution expenses related to such shares.

The conversion of Matured Class B shares to Class A shares is subject to the continuing availability of a private letter revenue ruling from the Internal Revenue Service, or an opinion of counsel or tax adviser, to the effect that the conversion of Matured Class B shares does not constitute a taxable event for the holder under the Internal Revenue Code. If such a private letter ruling or opinion is no longer available, the automatic conversion feature may be suspended, in which event no further conversions of Matured Class B shares would occur while such suspension remained in effect. Although Matured Class B shares could then be exchanged for Class A shares on the basis of relative net asset value of the two classes, without the imposition of a sales charge or fee, such exchange could constitute a taxable event for the holder, and absent such exchange, Class B shares might continue to be subject to the asset-based sales charge for longer than six years.

- Class B Distribution and Service Plan. The Fund has adopted a plan of distribution (the "Class B Plan") under Rule 12b-1 of the Investment Company Act, pursuant to which it will compensate the Distributor for its services and costs incurred in connection with the distribution and service of the Fund's Class B shares. Pursuant to the Class B Plan, the Fund will pay the Distributor an asset-based sales charge of 0.75% per annum on Class B shares outstanding for 6 years or less, plus a service fee of 0.25% per annum, each of which is computed on the average annual net assets of Class B shares of the Fund. The Distributor will use the service fee payment to compensate Recipients for providing personal service and the maintenance of shareholder accounts that hold Class B shares, examples of which are described under "Class A Service Plan."

Service fee payments by the Distributor to Recipients will be made (i) in advance for the first year Class B shares are outstanding, following the purchase of shares, in an amount equal to 0.25% of the net asset value of the shares purchased by the Recipient or its customers and (ii) thereafter, on a quarterly basis, computed as of the close of business each day at an annual rate of 0.25% of the net asset value of Class B shares held in accounts of the Recipient or its customers. Other terms and options under the Class B Plan for payment of the service fee by the Distributor to Recipients, and other terms and conditions of the Class B Plan are described under "Distribution and Service Plans" in the Additional Statement. Asset-based sales charges and service fees will be paid by the Fund to the Distributor monthly and quarterly, respectively.

The Class B Plan contains a provision which contractually obligates the Fund to continue payments to the Distributor for certain expenses incurred for Class B shares sold prior to termination of the Class B Plan.

The Distributor currently expects to pay sales commissions from its own resources to authorized dealers or brokers at the time of sale equal to 3.75% of the purchase price of Fund shares sold by such dealer or broker, and to advance the first year service fee of 0.25%. The asset-based sales charge payments by the Fund to the Distributor under the Class B plan are intended to allow it to recoup such sales commissions plus financing costs. The Distributor anticipates that it will take a number of years to recoup the sales commissions paid to authorized brokers or dealers from the Fund's payments to the Distributor under the Class B Plan. If the Class B Plan is terminated, the Distributor is entitled to continue to receive the asset-based sales charge of 0.75% per annum on Class B shares sold prior to termination until the Distributor has recovered its Class B distribution expenses incurred (prior to termination) from such payments and from the Class B CDSC.

The Fund believes that under applicable accounting standards, its obligation under the Class B Plan to pay any asset-based sales charges in future periods is not required to be recognized as a liability. In the future, if applicable accounting standards should be deemed to require that obligation to be recognized as a liability, a decrease in the net asset value per share of Class B shares could result. Were that to occur, such decrease would affect all Class B shares regardless of how long the shares were held. Furthermore, Class B shareholders would continue to remain subject to the Class B CDSC.

The Class B Plan has the effect of increasing annual expenses of Class B shares of the Fund by up to 1.00% of the class's average annual net assets from what its expenses would otherwise be. In addition, the Manager and the Distributor may, under the Class B Plan, from time to time from their own resources (which, as to the Manager, may include profits derived from the advisory fee it receives from the Fund) make payments to

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Recipients for distribution and administrative services they perform. For further details, see "Distribution and Service Plans" in the Additional Statement.

Asset-based sales charge payments are designed to permit an investor to purchase shares of the Fund without the assessment of a front-end sales load and at the same time permit the Distributor to compensate brokers and dealers in connection with the sale of shares of the Fund. The Distributor's actual distribution expenses for any given year may exceed the aggregate of payments received pursuant to the Class B Plan and contingent deferred sales charges, and such expenses will be carried forward and paid in future years. The Fund will be charged only for interest expenses, distribution expenses. At September 30, 1993, the end of the Class B Plan year, the Distributor had incurred unreimbursed expenses under the Class B Plan of $1,693,347 (equal to 4.13% of the Fund's net assets attributable to Class B shares of the Fund on that date), which have been carried over into the present Class B Plan year.

Purchase Programs for Class A and Class B Shares

- AccountLink. OppenheimerFunds AccountLink is a means to link a shareholder's Fund account with an account at a U.S. bank or other financial institution that is an Automated Clearing House ("ACH") member. AccountLink can be used to transmit funds by electronic funds transfers for account transactions, including subsequent share purchases. The minimum investment by AccountLink is $25. Purchases of up to $250,000 may be made by telephone using AccountLink (the maximum is $100,000 if the transaction is done by PhoneLink, described below). To speak to service operators to initiate such purchases, call the Distributor at 1-800-852-8457. All such calls will be recorded. To initiate such purchases automatically using PhoneLink, call 1-800-533-3310. Shares will be purchased on the regular business day the Distributor is instructed to initiate the ACH transfer to buy the shares. Dividends will begin to accrue on such shares on the day the Fund receives Federal Funds for such purchase through the ACH system before 4:00 P.M., which is normally 3 days after the ACH transfer is initiated. If such Federal Funds are received after that time, dividends will begin to accrue on the next regular business day after such Federal Funds are received.

AccountLink may also be used as a means of transmitting redemption proceeds to a designated bank account (see "How to Redeem Shares") or to transmit distributions paid by the Fund directly to a bank account (see "Dividends and Distributions"). AccountLink privileges must be requested on the application used to buy shares or the dealer settlement instructions establishing the account, or on subsequent signature-guaranteed instructions to Oppenheimer Shareholder Services, the Fund's Transfer Agent, from all shareholders of record for an account, and such privileges thereupon apply to each shareholder of record and the dealer representative of record unless and until the Transfer Agent receives written instructions from a shareholder of record cancelling such privileges. Changes of bank account information must be made by signature-guaranteed instructions to the Transfer Agent by all shareholders of record for an account. The Transfer Agent, the Fund and the Distributor have adopted reasonable procedures to confirm that telephone instructions under AccountLink (described above) and "PhoneLink," "Telephone Redemptions" and the "Exchange Privilege" (described below) are genuine, by requiring callers to provide tax identification number(s) and other account data and by recording calls and confirming such transactions in writing. If the Transfer Agent and the Distributor do not use such procedures, they may be liable for losses due to unauthorized transactions, but otherwise they will not be responsible for losses or expenses arising out of telephone instructions reasonably believed to be genuine. The Fund reserves the right to amend, suspend or discontinue AccountLink privileges at any time without prior notice.

- PhoneLink. PhoneLink is the OppenheimerFunds automated telephone system which enables shareholders of the Fund to initiate account transactions automatically by telephone, including exchanges between existing accounts (see "Exchange Privilege," below), redemptions (see "How To Redeem Shares - Telephone Redemptions," below) and purchases (see "AccountLink," above). PhoneLink transactions may be done automatically using a touchtone telephone provided that the shareholder uses a Personal Identification Number ("PIN") which may be obtained through PhoneLink by calling 1-800-533-3310. If an account has multiple owners, the Transfer Agent or the Distributor may rely on any instructions initiated through PhoneLink using a PIN. The Fund reserves the right to amend, suspend or discontinue PhoneLink privileges at any time without prior notice.

- Asset Builder Plans. Investors may purchase shares of the Fund (and up to four other Eligible Funds) automatically under Asset Builder Plans. With AccountLink, Asset Builder Plans may be used to make regular monthly investments ($25 minimum) from the investor's account at a bank or other financial institution. See "AccountLink" above for details. To establish an Asset Builder Plan from a bank account, a check (minimum $25) for the

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

initial purchase must accompany the application. Shares purchased by Asset Builder Plan payments from bank accounts are subject to the redemption restrictions for recent purchases described in "How To Redeem Shares." Asset Builder Plans also enable shareholders of Oppenheimer Tax-Exempt Cash Reserves or Oppenheimer Cash Reserves to use those accounts for monthly automatic purchases of shares of the Fund and up to four other Eligible Funds.

There is a sales charge on the purchase of certain Eligible Funds, and an application should be obtained from the Transfer Agent and completed and a prospectus of the selected fund(s) (available from the Distributor) should be obtained before initiating payments. The amount of the Asset Builder investment may be changed or the automatic investments terminated at any time by writing to the Transfer Agent. A reasonable period (approximately 15 days) is required after receipt of such instructions to implement them. The Fund reserves the right to amend, suspend, or discontinue offering such plans at any time without prior notice.

How to Redeem Shares

Regular Redemption Procedures

To redeem some or all shares in an account (whether or not represented by certificates) under the Fund's regular redemption procedures, a shareholder must send the following items to the Transfer Agent, Oppenheimer Shareholder Services, P.O. Box 5270, Denver, Colorado 80217 [send courier or express mail deliveries to 10200 E. Girard Avenue, Building D, Denver, Colorado 80231]: (1) a written request for redemption signed by all registered owners exactly as the shares are registered, including fiduciary titles, if any, and specifying the account number and the dollar amount or number of shares to be redeemed; (2) a guarantee of the signatures of all registered owners on the redemption request or on the endorsement on the share certificate or accompanying stock power, by a U.S. bank, trust company, credit union or savings association, or a foreign bank having a U.S. correspondent bank, or by a U.S.-registered dealer or broker in securities, municipal securities or government securities, or by a U.S. national securities exchange, registered securities association or clearing agency; (3) any share certificates issued for any of the shares to be redeemed; and (4) any additional documents which may be required by the Transfer Agent for redemption by corporations, partnerships or other organizations, executors, administrators, trustees, custodians, guardians, or if the redemption is requested by anyone other than the shareholder(s) of record, or to demonstrate eligibility for waivers of the Class B CDSC on the grounds of age or disability. Transfers of shares are subject to similar requirements.

A signature guarantee is not required for redemptions of $50,000 or less, requested by and payable to all shareholders of record, to be sent to the address of record for that account. To avoid delay in redemption or transfer, shareholders having questions about these requirements should contact the Transfer Agent in writing or by calling 1-800-525-7048 before submitting a request. From time to time the Transfer Agent in its discretion may waive any or certain of the foregoing requirements in particular cases. Redemption or transfer requests will not be honored until the Transfer Agent receives all required documents in proper form. Shareholders owning shares of both classes must specify whether they intend to redeem Class A or Class B shares.

Telephone Redemptions

To redeem shares by telephone through a service representative, call the Transfer Agent at 1-800-852-8457. To use PhoneLink to redeem shares automatically, without a service representative, call 1-800-533-3310. Under either method of telephone redemptions, proceeds may be paid by check or through AccountLink as described below. The Transfer Agent may record any calls. Telephone redemptions may not be available if all lines are busy, and shareholders would have to use the Fund's regular redemption procedures described above. Requests received by the Transfer Agent prior to 4:00 P.M. on a regular business day will be processed at the net asset value per share determined that day. Telephone redemption privileges are not available for newly-purchased (within the prior 15 days) shares, or for shares represented by certificates.

Telephone redemption privileges apply automatically to each shareholder and the dealer representative of record unless the Transfer Agent receives cancellation instructions from a shareholder of record. If an account has multiple owners, the Transfer Agent may rely on the instructions of any one owner. Telephone redemption privileges may be amended, suspended or discontinued by the Fund at any time without prior notice.

- Telephone Redemptions Paid by Check. For redemption proceeds paid by check, amounts up to $50,000 may be redeemed by telephone, once in each seven-day period. The check must be payable to the shareholder(s) of

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

record and sent to the address of record for the account. Telephone redemptions paid by check are not available within 30 days of a change of the address of record.

- Redemptions Paid Through AccountLink. If AccountLink privileges have been established for an account, any amount may be redeemed by telephone, wire or written instructions to the Transfer Agent, and the ACH transfer of the redemption proceeds to the designated bank account normally will be initiated by the Transfer Agent on the next bank business day after the redemption. There are no dollar or frequency limitations on telephone redemptions sent to a designated bank account through AccountLink. No dividends are paid on the proceeds of redeemed shares awaiting transmittal by ACH transfer. See "AccountLink" under "Purchase Programs for Class A and Class B Shares" for instructions on establishing this privilege.

Check Writing

Upon request, the Transfer Agent will provide shareholders whose shares are not represented by certificates with forms of drafts ("checks") payable through a bank selected by the Fund (the "Bank"). Check writing privileges are not available for accounts holding Class B shares or Class A shares subject to a CDSC. Checks may be written by the shareholder in any amount not less than $100, payable to the order of anyone, and will be subject to the Bank's rules and regulations governing checks. A check should not be written in an amount close to the total value of the account because the Fund's net asset value fluctuates from day to day. If a check is presented for an amount greater than the account value, it will not be paid. The Fund will charge a handling fee of $10 for any check that is not paid at the request of the shareholder or because of an insufficient share balance or because the check was written for less than the stated minimum. The Transfer Agent will arrange for checks to be honored by the Bank after obtaining a specimen signature card from the shareholder(s). Shareholders of joint accounts may elect to have checks honored with a single signature. Checks issued for one account in the Fund must not be used if the shareholder's account has been transferred to a new account or if the account number or registration has changed. Shares purchased by check or Asset Builder payments within the prior 15 days may not be redeemed by Check Writing. A check that would require the redemption of some or all of the shares so purchased is subject to non-payment.

When a check is presented to the Bank for clearance, the Bank will request the Fund to redeem a sufficient number of full and fractional shares in the shareholder's account to cover the amount of the check. This procedure enables the shareholder to continue receiving dividends on those shares equalling the amount being redeemed by check until such time as the check is presented to the Fund. Checks may not be presented for payment at the office of the Bank or the Fund's Custodian. This limitation does not affect the use of checks for the payment of bills or cashing at other banks. The Fund reserves the right to amend, suspend or discontinue this privilege at any time without prior notice.

Automatic Withdrawal and Exchange Plans

Investors owning shares of the Fund valued at $5,000 or more can authorize the Transfer Agent to redeem shares (minimum $50) automatically on a monthly, quarterly, semi-annual or annual basis under an Automatic Withdrawal Plan. Shares will be redeemed three business days prior to the date requested by the shareholder for receipt of the payment. Automatic withdrawals of up to $1,500 per month may be requested by telephone if payments are by check payable to all shareholders of record and sent to the address of record for the account (and if the address has not been changed within the prior 30 days). Payments are normally made by check, but shareholders having AccountLink privileges (see "How To Buy Shares") may arrange to have Automatic Withdrawal Plan payments transferred to the bank account designated on the OppenheimerFunds New Account Application or signature-guaranteed instructions. The Fund cannot guarantee receipt of the payment on the date requested and reserves the right to amend, suspend or discontinue offering such plans at any time without prior notice. Because of the sales charge assessed on share purchases, shareholders should not make regular additional purchases while participating in an Automatic Withdrawal Plan. Class B shareholders normally should not establish withdrawal plans because of the imposition of the Class B CDSC on such withdrawals (except where the Class B CDSC is waived as described in "Class B Contingent Deferred Sales Charge"). For further details, refer to "Automatic Withdrawal Plan Provisions" in the Additional Statement.

Shareholders can also authorize the Transfer Agent to exchange a pre-determined amount of shares of the Fund for shares of up to five other "Eligible Funds" (minimum purchase is $25 per fund account) automatically on a monthly, quarterly, semi-annual or annual basis under an Automatic Exchange Plan. Exchanges made pursuant to such Plans are otherwise subject to the conditions and terms applicable to exchanges described in "Exchange Privilege" below.

Repurchase

The Distributor is the Fund's agent to repurchase its shares from authorized dealers or brokers. The repurchase price will be the net asset

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

value next computed after the receipt of an order placed by such dealer or broker, except that orders received by the Distributor from dealers or brokers after 4:00 P.M. on a regular business day will be processed at that day's net asset value if such orders are received by the dealer or broker from its customers prior to 4:00 P.M. and are transmitted to and are received by the Distributor prior to its close of business that day (normally 5:00 P.M.). Payment ordinarily will be made within seven days after the Distributor's receipt of the required documents, with signature(s) guaranteed as described above.

Reinvestment Privilege

Within six months of a redemption, a shareholder may reinvest all or part of the redemption proceeds of (i) Class A shares, or (ii) Class B shares that were subject to the Class B CDSC when redeemed, in Class A shares of the Fund or any of the Eligible Funds into which shares of the Fund are exchangeable as described below, at the net asset value next computed after receipt by the Transfer Agent of the reinvestment order. The shareholder must ask the Distributor for such entitlement at the time of reinvestment. A realized gain on the redemption is taxable, and the reinvestment will not alter any capital gains tax payable on that gain. If there has been a loss on the redemption, some or all of the loss may not be tax deductible, depending on the timing and amount reinvested in the Fund. Under the Internal Revenue Code, if the redemption proceeds of Fund shares on which a sales charge was paid are reinvested in shares of the Fund or another Eligible Fund within 90 days of payment of the sales charge, the shareholder's basis in the Fund shares redeemed may not include the amount of the sales charge paid, thereby reducing the loss or increasing the gain recognized from the redemption. The Fund may amend, suspend or cease offering this reinvestment privilege at any time as to shares redeemed after the date of such amendment, suspension or cessation.

General Information on Redemptions

The redemption price will be the net asset value per share of the class next determined after the Transfer Agent receives redemption instructions in proper form. The market value of the securities in the Fund's portfolio is subject to daily fluctuations and the net asset value of each class of the Fund's shares will fluctuate accordingly. Therefore, the redemption value may be more or less than the investor's cost. Under certain unusual circumstances, shares may be redeemed in kind (i.e., by payment in portfolio securities). The Fund may involuntarily redeem small accounts (if the value of the account has fallen below $500 for reasons other than market value fluctuations) and may redeem shares in amounts sufficient to compensate the Distributor for any loss due to cancellation of a share purchase order; for details, see "Purchase, Redemption and Pricing of Shares" in the Additional Statement. Under the Internal Revenue Code, the Fund may be required to impose "backup" withholding of Federal income tax at the rate of 31% from taxable dividends, distributions and redemption proceeds (including exchanges), if the shareholder has not furnished the Fund a certified tax identification number or has not complied with provisions of the Internal Revenue Code relating to reporting dividends.

Payment for redeemed shares is made ordinarily in cash and forwarded within seven days of the Transfer Agent's receipt of redemption instructions in proper form, except under unusual circumstances as determined by the SEC. The Transfer Agent may delay forwarding a redemption check for recently purchased shares only until the purchase payment has cleared, which may take up to 15 days or more from the purchase date. Such delay may be avoided if the shareholder arranges telephone or written assurance satisfactory to the Transfer Agent from the bank on which the purchase payment was drawn. The Fund makes no charge for redemption. Dealers or brokers may charge a fee for handling redemption transactions, but such charge can be avoided by requesting the redemption directly by the Fund through the Transfer Agent. Under certain circumstances, the Class A and Class B CDSCs described under "How to Buy Shares" may apply to the proceeds of redemptions.

Exchanges of Shares

Exchange Privilege

Shares of the Fund and of the other Eligible Funds listed under "Right of Accumulation" may be exchanged at net asset value per share at the time of exchange, without sales charge, if all of the following conditions are met: (1) shares of the fund selected for exchange are available for sale in the shareholder's state of residence; (2) the respective prospectuses of the funds whose shares are to be exchanged and acquired offer the Exchange Privilege to the investor; (3) newly-purchased (by initial or subsequent investment) shares are held in an account for at least 7 days and all other shares at least 1 day prior to the exchange; and (4) the aggregate net asset value of shares surrendered for exchange is at least equal to the minimum investment requirements of the fund whose shares are to be acquired.

In addition to the conditions stated above, shares of a particular class of Eligible Funds having more than one class of shares may be exchanged only for shares of the same class of another Eligible Fund. All

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

the Eligible Funds offer Class A shares, but only certain Eligible Funds offer Class B shares. The names of those Eligible Funds can be obtained by calling the Distributor at 1-800-525-7048. In addition, Class A shares of Eligible Funds may be exchanged for shares of any Money Market Fund; shares of any Money Market Fund purchased without a sales charge may be exchanged for shares of Eligible Funds offered with a sales charge upon payment of the sales charge or, if applicable, may be used to purchase shares of Eligible Funds subject to a CDSC; and shares of this Fund acquired by reinvestment of dividends or distributions from any other Eligible Fund or from any unit investment trust for which reinvestment arrangements have been made with the Distributor may be exchanged at net asset value for shares of any Eligible Fund. No CDSC is imposed on exchanges of shares of either class purchased subject to a CDSC. However, when Class A shares acquired by exchange of Class A shares purchased subject to a Class A CDSC are redeemed within 18 months of the end of the calendar month of the initial purchase of the exchanged Class A shares, the Class A CDSC is imposed on the redeemed shares (see "Class A Contingent Deferred Sales Charge," above), and the Class B CDSC is imposed on Class B shares redeemed within six years of the end of the calendar month of the initial purchase of exchanged Class B shares (see "Class B Contingent Deferred Sales Charge," above).

- How to Exchange Shares. An exchange may be made by either: (1) submitting an OppenheimerFunds Exchange Authorization Form to the Transfer Agent, signed by all registered owners, or (2) telephone exchange instructions to the Transfer Agent by a shareholder or the dealer representative of record for an account. The Fund may modify, suspend or discontinue either of these exchange privileges at any time on 60 days' notice if such notice is required by regulations adopted under the Investment Company Act. The Fund reserves the right to reject telephone or written requests submitted in bulk on behalf of 10 or more accounts. Telephone and written exchange requests must be received by the Transfer Agent by 4:00 P.M. on a regular business day to be effected that day. The number of shares exchanged may be less than the number requested if the number requested would include shares subject to a restriction cited above or shares covered by a certificate that is not tendered with such request. Only the shares available for exchange without restriction will be exchanged.

When Class B shares are redeemed to effect an exchange, the priorities described in "How to Buy Shares" for the imposition of the Class B CDSC for redeeming such shares will be followed in determining the order in which shares are exchanged. Shareholders should take into account the effect of any exchange on the applicability and rate of any CDSC that may be imposed in the subsequent redemption of remaining shares. Shareholders owning shares of both classes must specify whether they intend to exchange Class A or Class B shares.

- Telephone Exchanges. Telephone exchange requests may be placed through a service representative by calling the Transfer Agent at 1-800-852-8457 or automatically by PhoneLink, by calling 1-800-533-3310. If all telephone exchange lines are busy (which might occur, for example, during periods of substantial market fluctuations), shareholders might not be able to request telephone exchanges and would have to submit written exchange requests. Telephone exchange calls may be recorded by the Transfer Agent. Telephone exchanges are subject to the rules described above. By exchanging shares by telephone, the shareholder is acknowledging receipt of a prospectus of the fund to which the exchange is made and that for full or partial exchanges, any special account features such as Asset Builder Plans, Automatic Withdrawal or Exchange Plans will be switched to the new account unless the Transfer Agent is otherwise instructed. Telephone exchange privileges automatically apply to each shareholder of record and the dealer representative of record unless and until the Transfer Agent receives written instructions from a shareholder of record cancelling such privileges. If an account has multiple owners, the Transfer Agent may rely on the instructions of any one owner. The Transfer Agent reserves the right to require shareholders to confirm in writing their election of telephone exchange privileges for an account. Shares acquired by telephone exchange must be registered exactly as the account from which the exchange was made. Certificated shares are not eligible for telephone exchange.

- General Information on Exchanges. Shares to be exchanged are redeemed on the regular business day the Transfer Agent receives an exchange request in proper form (the "Redemption Date"). Normally, shares of the fund to be acquired are purchased on the Redemption Date, but such purchases may be delayed by either fund up to five business days if it determines that it would be disadvantaged by an immediate transfer of the redemption proceeds. The Fund in its discretion reserves the right to refuse any exchange request that will disadvantage it, for example, if the receipt of multiple exchange requests from a dealer might require the disposition of securities at a time or at a price disadvantageous to the Fund.

The Eligible Funds have different investment objectives and policies. For complete information, including sales charges and expenses, a

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

prospectus of the fund into which the exchange is being made should be read prior to an exchange. A $5 service charge will be deducted from the account to which the exchange is made to help defray administrative costs. That charge is waived for telephone exchanges made by PhoneLink between existing accounts. Dealers or brokers who process exchange orders on behalf of customers may charge for their services. Those charges may be avoided by requesting the Fund directly to exchange shares. For Federal tax purposes an exchange is treated as a redemption and purchase of shares (see "How to Redeem Shares -- Reinvestment Privilege" for a discussion of certain tax effects of exchanges). No sales commissions are paid by the Distributor on exchanges of shares (unless a front-end sales charge is assessed on the exchange).

Dividends, Distributions And Taxes

This discussion relates solely to Federal tax laws and is not exhaustive; a qualified tax adviser should be consulted. A portion of the Fund's dividends and distributions may be subject to Federal and state taxation. Information about the possible applicability of Alternative Minimum Tax to the Fund's dividends is contained in "Investment Objective and Policies -- Private Activity Municipal Securities" in the Additional Statement. See "Yield, Total Return and Tax Information" in the Additional Statement for further discussion of tax matters affecting the Fund and its distributions.

Dividends and Distributions

The Fund intends to declare dividends separately for Class A and Class B shares from net investment income on each regular business day and to pay such dividends monthly on a date set by the Board of Trustees, which normally will be the tenth business day of each month. The amount of a class's distributions may vary from time to time depending upon market conditions, the composition of the Fund's portfolio, and expenses borne by the Fund, or borne separately by that class, as described under "Dual Class Methodology" in the Additional Statement. Dividends are calculated in the same manner, at the same time, and on the same day for shares of each class. However, dividends on Class B shares are expected to be lower than on Class A shares on a pro rata basis as a result of the asset-based sales charge on Class B shares, and such dividends will also differ in amount as a consequence of any difference between the net asset values of Class A and Class B shares.

Dividends will be payable on shares held of record at the time of the previous determination of net asset value, or as otherwise described in "How to Buy Shares." An investor purchasing Fund shares immediately prior to the declaration of a dividend or capital gain distribution, which has the effect of reducing the fund's net asset value per share by the amount of the dividend or distribution, should consider the tax consequences of receiving such distribution. Daily dividends on newly purchased shares will not be declared or paid until such time as Federal Funds (funds credited to a member bank's account at the Federal Reserve Bank) are available from the purchase payment for such shares. Normally, purchase checks received from investors are converted to Federal Funds on the next business day. Dividends will be declared on shares repurchased by a dealer or broker for four business days following the trade date (i.e., to and including the day prior to settlement of the repurchase). If all shares in an account are redeemed, all dividends accrued on shares of the same class in the account will be paid together with the redemption proceeds.

Distributions from net realized short-term or long-term capital gains, if any, will be paid at least once each year. If net capital losses are realized in any year, they are charged against principal and not against net investment income, which is distributed regardless of capital gains or losses. Long-term gains, if any, will be identified separately when tax information is distributed. Receipt of tax-exempt income must be reported on the taxpayer's Federal income tax return. There is no fixed dividend rate and there can be no assurance as to the payment of any dividends or the realization of any capital gains.

All dividends and capital gains distributions are automatically reinvested in shares of the same class at net asset value, as of a date selected by the Board of Trustees, unless the shareholder notifies the Transfer Agent in writing to pay dividends and capital gains distributions in cash, or to reinvest them in another Eligible Fund, as described in "Additional Information" in the Additional Statement. That request must be received prior to the record date for a dividend to be effective as to that dividend. Dividends and distributions may be automatically transferred to a designated account at a financial institution. See "AccountLink" in "How to Buy Shares" and the OppenheimerFunds New Account Application for more details. For existing accounts, such privileges may be established only by signature-guaranteed instructions from all shareholders to the Transfer Agent. Dividends, distributions and the proceeds of the redemption of Fund shares represented by checks returned to the Transfer Agent by the Postal Service as undeliverable are reinvested in shares of Oppenheimer Money Market Fund, Inc., as promptly as possible after the return of such checks to the Transfer Agent, to enable the investor to earn a return on otherwise idle funds.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

During the Fund's fiscal year ended September 30, 1993, the Fund maintained the practice, to the extent consistent with the amount of the Fund's net investment income and other distributable income, of attempting to pay dividends on Class A shares at a constant level, although the amount of such dividends were subject to change from time to time depending on market conditions, the composition of the Fund's portfolio and expenses borne by the Fund or borne separately by that Class. The practice of attempting to pay dividends on Class A shares at a constant level required the Manager, consistent with the Fund's investment objective and investment restrictions, to monitor the Fund's portfolio and select higher-yielding securities when deemed appropriate to maintain necessary net investment income levels. This practice did not effect net asset values of either Class of the Fund's shares. The Board of Trustees may change the Fund's targeted dividend level at any time, without prior notice to shareholders; the Fund does not otherwise have a fixed dividend rate and there can be no assurance as to the payment of any dividends or the realization of any capital gains.

Tax Status of the Fund's Dividends and Distributions

The Fund intends to qualify under the Internal Revenue Code during each fiscal year to pay "exempt-interest dividends" to its shareholders. Exempt-interest dividends which are derived from net investment income earned by the Fund on Municipal Securities will be excludable from gross income of shareholders for Federal income tax purposes. Net investment income includes the allocation of amounts of income from the Municipal Securities in the Fund's portfolio which are free from Federal income taxes. This allocation will be made by the use of one designated percentage applied uniformly to all income dividends made during the Fund's tax year. Such designation will normally be made following the end of each fiscal year as to income dividends paid in the prior year. The percentage of income designated as tax-exempt may substantially differ from the percentage of the Fund's income that was tax-exempt for a given period. A portion of the exempt-interest dividends paid by the Fund may be an item of tax preference for shareholders subject to the alternative minimum tax. All of the Fund's dividends (excluding capital gains distributions) paid during 1993 were exempt from Federal income taxes, and 87.4% were not tax preference items. Corporate shareholders and "substantial users" of facilities financed by Private Activity Municipal Securities should see "Private Activity Municipal Securities" in the Additional Statement before purchasing shares.

A shareholder receiving a dividend from income earned by the Fund from one or more of: (i) certain taxable investments; (ii) income from securities loans; and (iii) an excess of net short-term capital gain over net long-term capital loss from the Fund, treats the dividend as a receipt of either ordinary income or long-term capital gain in the computation of gross income, regardless of whether the dividend is reinvested. The Fund's dividends will not be eligible for the dividends-received deduction for corporations. Shareholders receiving Social Security benefits should be aware that exempt-interest dividends are a factor in determining whether such benefits are subject to Federal income tax. Losses realized by shareholders on the redemption of Fund shares within six months of purchase (which period may be shortened by regulation) will be disallowed for Federal income tax purposes to the extent of exempt-interest dividends received on such shares.

Long-term capital gains distributions, if any, are taxable as long-term capital gains whether received in cash or reinvested and regardless of how long Fund shares have been held. Dividends paid by the Fund derived from net short-term capital gains are taxable to shareholders as ordinary income, whether received in cash or reinvested. For information on "backup withholding" on taxable dividends, see "How To Redeem Shares." Interest on loans used to purchase shares of the Fund may not be deducted for Federal income tax purposes. Under rules used by the Internal Revenue Service to determine when borrowed funds are deemed used for the purpose of purchasing or carrying particular assets, the purchase of Fund shares may be considered to have been made with borrowed funds even though the borrowed funds are not directly traceable to the purchase of shares.

Tax Status of the Fund

If the Fund qualifies as a "regulated investment company" under the Internal Revenue Code, it will not be liable for Federal income taxes on amounts paid by it as dividends and distributions. The Fund qualified during its last fiscal year and intends to qualify in current and future fiscal years, but reserves the right not to do so. The Code contains a number of complex tests relating to qualification which the Fund might not meet in any particular year. For example, if the Fund derives 30% or more of its gross income from the sale of securities held less than three months, it may fail to qualify (see "Tax Aspects of Hedging Instruments" in Additional Statement for more information). If it did not qualify, the Fund would be treated for tax purposes as an ordinary corporation, would receive no tax deduction for distributions paid to shareholders and would be unable to pay "exempt-interest dividends" as discussed below.

Fund Performance

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Yield and Total Return Information

From time to time the "standardized yield," "tax-equivalent yield," "dividend yield," "average annual total return," "total return" and "total return at net asset value" of an investment in each class of shares of the Fund may be advertised. Under rules adopted by the SEC, "yield" is computed in a standardized manner for mutual funds, by dividing the net investment income per share earned during a 30-day base period by the maximum offering price per share on the last day of the period. This yield calculation is compounded on a semi-annual basis, and multiplied by 2 to provide an annualized yield. "Tax-equivalent yield" is determined by dividing that portion of the "yield" of each class (calculated as described above) that is tax-exempt by a factor that includes the applicable income tax rate (after adjusting for any portion of the Fund's yield that is not tax-exempt). The "tax- equivalent yield" is then compounded and annualized in the same manner as yield. The "dividend yield" of shares of a class represents dividends derived from net investment income during a stated period divided by the maximum offering price on the last day of the period, to show the rate of return based on actual distributions paid to shareholders of that class.

The "average annual total return" of each class for a particular period is computed by determining the average annual compounded rate of return over the period, using the initial amount invested at the beginning of the period and the redeemable value of the investment at the end of the period. The "total return" of each class for a period is a cumulative rate of return over the entire period, also using the initial amount invested and redeemable value at the end of the period. In both cases, the payment of either the Fund's current maximum initial sales charge applicable to Class A shares, or the Class B CDSC applicable to the period for which the Class B shares are outstanding, is taken into account with respect to the performance of that class. The Fund may also quote a "total return at net asset value" of each class, which is total return calculated without considering either initial sales charges (for Class A shares) or the Class B CDSC (for Class B shares). The redeemable value of the investment assumes that all dividends and capital gains distributions have been reinvested at net asset value without sales charge. The "average annual total return," "total return" and "total return at net asset value" indicate the investment results that an investor holding shares of that class would have experienced over the stated period from changes in share price and reinvestment of dividends and distributions.

Yields and returns are based on historical per share earnings and are not intended to indicate future performance. Yields and returns are calculated separately and will differ for shares of each class, and the higher anticipated expenses of Class B shares should result in shares of that class having lower yields than Class A shares for the same period of time. "Yield, Total Return and Tax Information" in the Additional Statement contains more detailed information on calculating the Fund's yields and returns, and other performance information.

Management's Discussion of Performance

During the Fund's fiscal year ended September 30, 1993, the Manager emphasized investment in higher quality bond offerings with an emphasis on essential service revenue bonds. These included utilities, water projects, education and transportation bond issues. A number of economic factors influenced the performance of the municipal bond market during the Fund's fiscal year, including a low interest rate environment, which increased the supply of municipal securities.

Oppenheimer New York Tax-Exempt Fund and Lehman Bros. Municipal Bond Index

Average Annual Total Return at 9/30/93

	1 Year	5 Year	Life of Fund
Class A	8.83%	8.82%	10.83%(1)
Class B			1.24%(2)

- -------------------

(1) Since August 16, 1984.

(2) Since March 1, 1993.

(Charts comparing total return of Class A and Class B shares of Oppenheimer New York Tax-Exempt Fund to performance of Lehman Bros. Municipal Bond Index)

Past performance is not predictive of future performance.

The Lehman Bros. Municipal Bond Index is an unmanaged index of a broad range of investment grade municipal bonds, widely regarded as a measure of the performance of the general municipal bond market, and includes a factor for the reinvestment of interest but does not reflect expenses. The Fund's return reflects deduction of the current maximum sales charge of 4.75% and includes reinvestment of all dividends and capital gains

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

distributions, but does not consider taxes.

Additional Information

Description of the Fund and Its Shares

The Fund's Board of Trustees is empowered to issue full and fractional shares of one or more series and classes of series. Shares of one series having two classes (Class A and Class B) have been authorized, which constitute the shares of beneficial interest described herein. Series have separate assets and liabilities. Classes of a series represent an identical interest in a particular series but, as explained in this Prospectus, each class has different dividends, distributions and expenses, and may have different net asset values. Class B shares will automatically convert to Class A shares seventy-two months after an investor's purchase order for Class B shares is accepted. See "How to Buy Shares -- Class B Conversion Feature," above.

Shares of the Fund represent an interest in the Fund proportionately equal to the interest of each other share of the same class and entitle their holders to one vote per share (and a fractional vote for a fractional share) on matters submitted to their vote. Only shareholders of a particular class vote on matters affecting only that class. The Trustees may divide or combine the shares into a greater or lesser number of shares without thereby changing the proportionate beneficial interest in the Fund. When issued, such shares are fully-paid and nonassessable (except as described in "Additional Information" in the Additional Statement), and do not have cumulative voting rights or preemptive or subscription rights. The Fund does not anticipate holding annual meetings.

Under certain circumstances, shareholders of the Fund have the right to remove a Trustee and may be held personally liable as "partners" for the Fund's obligations; however, the risk of a shareholder incurring any financial loss is limited to the relatively remote circumstances in which the Fund is unable to meet its obligations. See "Additional Information" in the Additional Statement for details.

The Custodian and the Transfer Agent

The Custodian of the assets of the Fund is Citibank, N.A. The Manager and its affiliates have banking relationships with the Custodian. See "Additional Information" in the Additional Statement for further information. The Fund's cash balances with the Custodian in excess of $100,000 are not protected by Federal deposit insurance. Such uninsured balances may at times be substantial.

The Transfer Agent, a division of the Manager, acts as transfer and shareholder servicing agent on an at-cost basis for the Fund and certain other open-end funds advised by the Manager. It also acts as transfer agent for unit investment trusts for the accumulation of shares and one of such funds. Shareholders should direct any inquiries to the Transfer Agent at the address or toll-free phone number listed on the back cover of this Prospectus.

APPENDIX TO PROSPECTUS OF
OPPENHEIMER NEW YORK TAX-EXEMPT FUND

Graphic material included in Prospectus of Oppenheimer New York Tax-Exempt Fund: "Comparison of Total Return of Oppenheimer New York Tax-Exempt Fund and the S&P 500 Index - Change in Value of a $10,000 Hypothetical Investment"

A linear graph will be included in the Prospectus of Oppenheimer New York Tax-Exempt Fund (the "Fund") depicting the initial account value and subsequent account value of a hypothetical $10,000 investment in (i) Class A shares of the Fund since August 16, 1984 to the end of each of the Fund's most recently completed ten fiscal years and (ii) Class B shares of the Fund from March 1, 1993 to September 30, 1993, and comparing such values with the same investments over the same time periods in the Lehman Bros. Municipal Bond Index. Set forth below are the relevant data points that will appear on the linear graph. Additional information with respect to the foregoing, including a description of the Lehman Bros. Municipal Bond Index, is set forth in the Prospectus under "Fund Information - Management's Discussion of Performance."

Fiscal Year (Period) Ended	Oppenheimer New York Tax-Exempt Fund Class A Shares	Lehman Bros. Municipal Bond Index
08/16/84	$ 9,525	$10,000
09/30/84	9,583(1)	9,933
09/30/85	11,401	11,546

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

09/30/86	14,060	14,392
09/30/87	14,152	14,469
09/30/88	15,849	16,347
09/30/89	17,022	17,765
09/30/90	17,864	18,973
09/30/91	20,164	21,476
09/30/92	22,302	23,720
09/30/93	25,550	26,742

Fiscal Year (Period) Ended	Oppenheimer New York Tax-Exempt Fund Class B Shares	Lehman Bros. Municipal Bond Index
03/01/93	$10,000	$10,000
09/30/93	10,124(2)	10,564

- ---------------------
(1) For the period from August 16, 1984 (commencement of operations) to September 30, 1984.
(2) For the period from March 1, 1993 (commencement of class) to September 30, 1993.

Investment Adviser
Oppenheimer Management Corporation
Two World Trade Center
New York, New York 10048-0203

Distributor
Oppenheimer Funds Distributor, Inc.
Two World Trade Center
New York, New York 10048-0203

Transfer Agent
Oppenheimer Shareholder Services
P.O. Box 5270
Denver, Colorado 80217
1-800-525-7048

Custodian of Portfolio Securities
Citibank, N.A.
399 Park Avenue
New York, New York 10043

Independent Auditors
KPMG Peat Marwick
707 Seventeenth Street
Denver, Colorado 80202

Counsel
Gordon Altman Butowsky
Weitzen Shalov & Wein
114 West 47th Street
New York, New York 10036

No dealer, salesperson or any other person has been authorized to give any information or to make any representations other than those contained in this Prospectus or the Additional Statement, and if given or made, such information and representations must not be relied upon as having been authorized by the Fund, Oppenheimer Management Corporation, Oppenheimer Funds Distributor, Inc., or any affiliate thereof. This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby in any state to any person to whom it is unlawful to make such an offer in such state.

PR360.0194.N * Printed on recycled paper

STATEMENT OF ADDITIONAL INFORMATION

OPPENHEIMER NEW YORK TAX-EXEMPT FUND

Two World Trade Center, New York, New York 10048-0203
1-800-525-7048

This Statement of Additional Information (the "Additional Statement") is not a Prospectus. This Additional Statement should be read in conjunction with the Prospectus dated January 25, 1994 (the "Prospectus") of Oppenheimer New York Tax-Exempt Fund (the "Fund"), which may be obtained upon written request to Oppenheimer Shareholder Services (the

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

"Transfer Agent"), P.O. Box 5270, Denver, Colorado 80217 or by calling the Transfer Agent at the toll-free number listed above.

TABLE OF CONTENTS

This Additional Statement is effective January 25, 1994.

INVESTMENT OBJECTIVE AND POLICIES

The investment objective and policies of the Fund are described in the Prospectus. Supplemental information about those policies is set forth below. Certain capitalized terms used in this Additional Statement are defined in the Prospectus.

Municipal Securities

Municipal Bonds. The principal classifications of long-term municipal bonds are "general obligation" and "revenue" or "industrial development" bonds.

General Obligation Bonds. Issuers of general obligation bonds include states, counties, cities, towns, and regional districts. The proceeds of these obligations are used to fund a wide range of public projects, including construction or improvement of schools, highways and roads, and water and sewer systems. The basic security behind general obligation bonds is the issuer's pledge of its full faith and credit and taxing power for the payment of principal and interest. The taxes that can be levied for the payment of debt service may be limited or unlimited as to the rate or amount of special assessments.

Revenue Bonds. The principal security for a revenue bond is generally the net revenues derived from a particular facility, group of facilities, or, in some cases, the proceeds of a special excise or other specific revenue source. Revenue bonds are issued to finance a wide variety of capital projects including: electric, gas, water and sewer systems; highways, bridges, and tunnels; port and airport facilities; colleges and universities; and hospitals. Although the principal security behind these bonds may vary, many provide additional security in the form of a debt service reserve fund whose money may be used to make principal and interest payments on the issuer's obligations. Housing finance authorities have a wide range of security, including partially or fully insured mortgages, rent subsidized and/or collateralized mortgages, and/or the net revenues from housing or other public projects. Some authorities provide further security in the form of a state's ability (without obligation) to make up deficiencies in the debt service reserve fund.

Industrial Development Bonds. Industrial development bonds, which are considered municipal bonds if the interest paid is exempt from federal income tax, are issued by or on behalf of public authorities to raise money to finance various privately operated facilities for business and manufacturing, housing, sports, and pollution control. These bonds are also used to finance public facilities such as airports, mass transit systems, ports, and parking. The payment of the principal and interest on such bonds is dependent solely on the ability of the facility's user to meet its financial obligations and the pledge, if any, of real and personal property so financed as security for such payment.

Municipal Notes. Municipal Securities having a maturity when issued of less than one year are generally known as municipal notes. Municipal notes generally are used to provide for short-term working capital needs and include:

Tax Anticipation Notes. Tax anticipation notes are issued to finance working capital needs of municipalities. Generally, they are issued in

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

anticipation of various seasonal tax revenue, such as income, sales, use of business taxes, and are payable from these specific future taxes.

Revenue Anticipation Notes. Revenue anticipation notes are issued in expectation of receipt of other types of revenue, such as federal revenues available under the Federal revenue sharing programs.

Bond Anticipation Notes. Bond anticipation notes are issued to provide interim financing until long-term financing can be arranged. In most cases, the long-term bonds then provide the money for the repayment of the notes.

Construction Loan Notes. Construction loan notes are sold to provide construction financing. After successful completion and acceptance, many projects receive permanent financing through the Federal Housing Administration.

Tax-Exempt Commercial Paper. Tax-exempt commercial paper is a short-term obligation with a stated maturity of 365 days or less. It is issued by state and local governments or their agencies to finance seasonal working capital needs or as short-term financing in anticipation of longer-term financing.

Participation Interests. The Fund may purchase participation interests in all or part of specific holdings of short-term Municipal Securities from banks or other financial institutions, as described in the Prospectus. Such banks or other financial institutions frequently provide, or secure from another financial institution, letters of credit or guarantees to secure the interests, and give the buyer the right to demand payment of the principal amount of the participation interests plus accrued interest on short notice (normally within seven days). In the event of a failure by the issuer to pay scheduled interest or principal payments on the underlying municipal security, the Fund could experience a decline in its net asset value. In the event of a failure by the financial institution to perform its obligations in connection with the participation interest, the Fund might incur certain costs and delays in realizing payment or may suffer a loss of principal and/or interest.

Certificates of Participation. The Fund may invest in certificates of participation, which are tax-exempt obligations that evidence the holder's right to share in lease, installment loan or other financing payments by a public entity. Projects financed with certificates of participation generally are not subject to state constitutional debt limitations or other statutory requirements that may be applicable to Municipal Securities.

Private Activity Municipal Securities. The Tax Reform Act of 1986 (the "Tax Reform Act") reorganized, as well as amended, the rules governing tax exemption for interest on Municipal Securities. The Tax Reform Act generally does not change the tax treatment of bonds issued in order to finance governmental operations. Thus, interest on obligations issued by or on behalf of state or local government, the proceeds of which are used to finance the operations of such governments (e.g., general obligation bonds) continues to be tax-exempt. However, the Tax Reform Act further limited the use of tax-exempt bonds for non-governmental (private) purposes. More stringent restrictions were placed on the use of proceeds of such bonds. Interest on certain private activity bonds (other than those specified as "qualified" tax-exempt private activity bonds, e.g., exempt facility bonds including certain industrial development bonds, qualified mortgage bonds, qualified Section 501(c)(3) bonds, qualified student loan bonds, etc.) is taxable under the revised rules.

Interest on certain private activity bonds issued after August 7, 1986, which continues to be tax-exempt, will be treated as a tax preference item subject to the alternative minimum tax (discussed below) to which certain taxpayers are subject. Further, a private activity bond which would otherwise be a qualified tax-exempt private activity bond will not, under Internal Revenue Code Section 147(a), be a qualified bond for any period during which it is held by a person who is a "substantial user" of the facilities or by a "related person" of such a substantial user. This "substantial user" provision is applicable primarily to exempt facility bonds, including industrial development bonds. The Fund may not be an appropriate investment for entities which are "substantial users" (or persons related thereto) of such exempt facilities, and such persons should consult their own tax advisers before purchasing shares. A "substantial user" of such facilities is defined generally as a "non-exempt person who regularly uses part of a facility" financed from the proceeds of exempt facility bonds. Generally, an individual will not be a "related person" under the Internal Revenue Code unless such investor or the investor's immediate family (spouse, brothers, sisters and immediate descendants) own directly or indirectly in the aggregate more than 50% in value of the equity of a corporation or partnership which is a "substantial user" of a facility financed from the proceeds of exempt facility bonds. In addition, the Tax Reform Act revised downward the limitations as to the amount of private activity bonds which each state may issue, which will reduce the supply of such bonds. The value of the

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Fund's portfolio could be affected if there is a reduction in the availability of such bonds. That value may also be affected by a 1988 U.S. Supreme Court decision upholding the constitutionality of the imposition of a Federal tax on the interest earned on Municipal Securities issued in bearer form.

A Municipal Security is treated as a taxable private activity bond under a test for: (a) a trade or business use and security interest, or (b) a private loan restriction. Under the trade or business use and security interest test, an obligation is a private activity bond if: (i) more than 10% of bond proceeds are used for private business purposes and (ii) 10% or more of the payment of principal or interest on the issue is directly or indirectly derived from such private use or is secured by the privately used property or the payments related to the use of the property. For certain types of uses, a 5% threshold is substituted for this 10% threshold. (The term "private business use" means any direct or indirect use in a trade or business carried on by an individual or entity other than a state or municipal governmental unit.) Under the private loan restriction, the amount of bond proceeds which may be used to make private loans is limited to the lesser of 5% or $5.0 million of the proceeds. Thus, certain issues of Municipal Securities could lose their tax-exempt status retroactively if the issuer fails to meet certain requirements as to the expenditure of the proceeds of that issue or use of the bond-financed facility.

The Federal alternative minimum tax is designed to ensure that all taxpayers pay some tax, even if their regular tax is zero. This is accomplished in part by including in taxable income certain tax preference items in arriving at alternative minimum taxable income. The Tax Reform Act made tax-exempt interest from certain private activity bonds a tax preference item for purposes of the alternative minimum tax on individuals and corporations. Any exempt-interest dividend paid by a regulated investment company will be treated as interest on a specific private activity bond to the extent of its proportionate share of the interest on such bonds received by the regulated investment company. The Treasury is authorized to issue regulations implementing this provision. In addition, corporate taxpayers subject to the alternative minimum tax may, under some circumstances, have to include exempt-interest dividends in calculating their alternative minimum taxable income in situations where the "adjusted current earnings" of the corporation exceeds its alternative minimum taxable income. The Fund may hold Municipal Securities the interest on which (and thus a proportionate share of the exempt-interest dividends paid by the Fund) will be subject to the alternative minimum tax on individuals and corporations. The Fund anticipates that under normal circumstances it will not purchase any such securities in an amount greater than 20% of the Fund's total assets.

Changes in Ratings. Subsequent to its purchase by the Fund, a Municipal Security may cease to be rated or its rating may be reduced below the minimum required for purchase by the Fund. Neither event requires the Fund to sell the security, but Oppenheimer Management Corporation (the "Manager") will consider such events in determining whether the Fund should continue to hold the security. To the extent that ratings given by Moody's or S&P change as a result of changes in such organizations or their rating systems, the Fund will attempt to use comparable ratings as standards for investments in accordance with the Fund's investment policies.

Special Investment Considerations - New York Municipal Securities. As explained in the Prospectus, the Fund is highly sensitive to the fiscal stability of New York State (the "State") and its subdivisions, agencies, instrumentalities or authorities, including New York City, which issue the Municipal Securities in which the Fund concentrates its investments. The following information on risk factors in concentrating in New York Municipal Securities is only a summary, based on publicly available information, and official statements relating to offerings of New York issuers of Municipal Securities prior to January 25, 1994, and no representation is made as to the accuracy of such information.

During the mid-1970's the State, some of its agencies, instrumentalities and public benefit corporations (the "Authorities"), and certain of its municipalities faced serious financial difficulties. To address many of these financial problems, the State developed various programs, many of which were successful in ameliorating the financial crisis. Any further financial problems experienced by these Authorities or municipalities could have a direct adverse effect on the New York Municipal Securities in which the Fund invests.

New York City

General. More than any other municipality, the fiscal health of New York City (the "City") has a significant effect on the fiscal health of the State. The national economic downturn which began in July 1990 adversely affected the local economy which had been declining since late 1989. As a result, the City experienced job losses in 1990 and 1991 and real Gross City Product ("GCP") fell in those two years. Beginning in

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

1992, the improvement in the national economy helped stabilize conditions in the City. Employment losses moderated toward year-end and real GCP increased, boosted by strong wage gains. The City now projects, and its current four-year financial plan assumes that the City's economy will continue to improve during calendar year 1993 and that a modest employment recovery will begin by the end of calendar year 1993.

For each of the 1981 through 1993 fiscal years, the City achieved balanced operating results as reported in accordance with generally accepted accounting principles ("GAAP") and the City's 1994 fiscal year results are projected to be balanced in accordance with GAAP. The City was required to close substantial budget gaps in recent years in order to maintain balanced operating results. There can be no assurance that the City will continue to maintain a balanced budget, or that it can maintain a balanced budget without additional tax or other revenue increases or reductions in City services, which could adversely affect the City's economic base.

The Mayor is responsible for preparing the City's four-year financial plan, including the City's current financial plan for the 1994 through 1997 fiscal years (the "1994-1997 Financial Plan", "Financial Plan" or "City Plan").

The City's projections set forth in the City Plan are based on various assumptions and contingencies which are uncertain and which may not materialize. Changes in major assumptions could significantly affect the City's ability to balance its budget as required by State law and to meet its annual cash flow and financing requirements. Such assumptions and contingencies include the timing of any regional and local economic recovery, the impact on real estate tax revenues of the current downturn in the real estate market, wage increases for City employees consistent with those assumed in the City Plan, employment growth, provision of State and Federal aid and mandate relief and the impact on the New York City region of the tax increases contained in President Clinton's economic plan.

Implementation of the City Plan is also dependent upon the City's ability to market its securities successfully in the public credit markets. The City's financing program for fiscal years 1994 through 1997 contemplates the issuance of $11.7 billion of general obligation bonds primarily to reconstruct and rehabilitate the City's infrastructure and physical assets and to make capital investments. In addition, the City issues revenue and tax anticipation notes to finance seasonal working capital requirements. The success of projected public sales of City bonds and notes will be subject to prevailing market conditions, and no assurance can be given that such sales will be completed. If the City were unable to sell its general obligation bonds and notes, it would be prevented from meeting its planned operating and capital expenditures.

The City Comptroller and other agencies and public officials have issued reports and make public statements which, among other things, state that projected revenues may be less and future expenditures may be greater than forecast in the City Plan. In addition, the Control Board staff and others have questioned whether the City has the capacity to generate sufficient revenues in the future to provide the level of services included in the Financial Plan. It is reasonable to expect that such reports and statements will continue to be issued and to engender public comment.

1994-1997 Financial Plan. The 1994-1997 Financial Plan projects revenues and expenditures for the 1994 fiscal year balanced in accordance with GAAP. The Financial Plan sets forth actions to close a projected gap of approximately $2.0 billion in the 1994 fiscal year. The gap-closing actions for the 1994 fiscal year include agency actions, including productivity savings and savings from restructuring the delivery of City services; service reductions; the sale of delinquent real property tax receivables; discretionary transfers from the 1993 fiscal year; reduced debt service costs, resulting from refinancings and other actions; proposed increased Federal assistance; a proposed continuation of the personal income tax surcharge; proposed increased State aid; and various revenue actions.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

The Financial Plan also sets forth projections for the 1995 through 1997 fiscal years and outlines a proposed gap-closing program to close projected budget gaps of $1.7 billion, $2.5 billion and $2.7 billion for the 1995 through 1997 years, respectively. These projections take into account expected increases in Federal and State assistance. Various actions proposed in the City Plan, including the proposed continuation of the personal income tax surcharge and the proposed increase in State aid, are subject to approval by the Governor and the State Legislature, and the proposed increase in Federal aid is subject to approval by Congress and the President. The State Legislature has failed to approve proposals for the State assumption of certain Medicaid costs, mandate relief and reallocation in State education aid in previous sessions, thereby increasing the uncertainty as to the receipt of the State assistance included in the City Plan. If these actions cannot be implemented, the City will be required to take other actions to decrease expenditures or increase revenues to maintain a balanced financial plan.

The Financial Plan reflects certain cost and expenditure increases including increases in salaries and benefits paid to City employees pursuant to certain collective bargaining agreements. In the event of a collective bargaining impasse, the terms of wage settlements could be determined through the impasse procedure in the New York City Collective Bargaining Law, which can impose a binding settlement.

Ratings. As of December 9, 1993, Moody's rated the City's general obligation bonds Baa1, S&P rated such bonds A- and Fitch has rated such bonds A-. Such ratings reflect only the views of these rating agencies, from which an explanation of the significance of such ratings may be obtained. There is no assurance that such ratings will continue for any given period of time or that they will be revised downward or withdrawn entirely. Any such downward revision or withdrawal could have an adverse effect on the market prices of bonds.

Outstanding Net Indebtedness. As of September 30, 1993, the City and the Municipal Assistance Corporation for the City of New York had, respectively, $19.977 billion and $4.542 billion of outstanding net long-term debt.

The City depends on the State for State aid both to enable the City to balance its budget and to meet its cash requirements. If the State experiences revenue shortfalls or spending increases beyond its projections during its 1994 fiscal year or subsequent years, such developments could result in reductions in anticipated State aid to the City. In addition, there can be no assurance that State budgets in future fiscal years will be adopted by the April 1 statutory deadline and that there will not be adverse effects on the City's cash flow and additional City expenditures as a result of such delays.

Litigation. The City is a defendant in a significant number of lawsuits. Such litigation includes, but is not limited to, routine litigation incidental to the performance of its government and other functions, actions commenced and claims asserted against the City arising out of alleged constitutional violations, alleged torts, alleged breaches of contracts and other violations of law and condemnation proceedings and other tax and miscellaneous actions. While the ultimate outcome and fiscal impact, if any, on the proceedings and claims are not currently predictable, adverse determination in certain of them might have a material adverse effect upon the City's ability to carry out the City Plan. As of June 30, 1993, the City estimated its potential future liability on account of all outstanding claims to be approximately $2.2 billion.

New York State

Recent Developments. The State has faced serious financial difficulties in recent years. The effect of the national recession has been more severe in the State than in other parts of the nation, and the 1993-94 New York State Financial Plan (the "State Plan") is based on an economic projection that the State will perform more poorly than the nation as a whole. Real gross domestic product grew modestly during calendar year 1992 and is expected to show increased growth in calendar year 1993. The State's economy, as measured by employment, is expected to commence growth late in calendar year 1993. Many uncertainties exist in forecasts of both the national and State economies, including consumer attitudes toward spending, Federal financial and monetary policies, the availability of credit and the condition of world economy, which could have an adverse effect on the State. There can be no assurance that the

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

State economy will not experience worse-than-predicted results in the 1993-1994 fiscal year, with corresponding material and adverse effects on the State's projections of receipts and disbursements.

1993-1994 Fiscal Year. The State completed its 1993 fiscal year with a cash-basis positive balance of $671 million in the State's General Fund (the major operating fund of the State). The State's 1994 fiscal year budget, as enacted, projects a balanced General Fund.

The State Plan projects General Fund receipts and transfers from other funds at $32.367 billion and disbursements and transfers to other funds at $32.300 billion. Excess receipts of $67 million will be used for a required repayment to the State's Tax Stabilization Reserve Fund. In comparison to the recommended 1993-94 Executive Budget, released by the Governor in early 1993, the 1993-94 State budget, as enacted, reflects increases in both receipts and disbursements in the General Fund of $811 million. The $811 million increase in projected receipts reflects many factors and assumptions, including (i) improving economic conditions and higher-than-expected tax collections, (ii) improved 1992-93 results, (iii) additional payments from the Federal government to reimburse the State for the cost of providing indigent medical care, (iv) the payment of additional personal income tax refunds in the 1992-93 fiscal year which would otherwise have been paid in fiscal year 1993-94; offset by (v) revenue-raising recommendations in the Executive Budget that were not enacted and thus are not included in the State Plan. The $811 million increase in projected disbursements reflects (i) an increase in projected school-aid payments, (ii) an increase in projected payments for Medicaid assistance and other social service programs, (iii) additional spending on the judiciary and criminal justice, (iv) a net increase in projected disbursements for all other programs and purposes, and (v) establishment of a new contingency reserve.

There can be no assurance that the State will not face substantial potential budget gaps in future years resulting from a significant disparity between tax revenues projected from a lower recurring receipts base and the spending required to maintain state programs at current levels. To address any potential budgetary imbalance, the State may need to take significant actions to align recurring receipts and disbursements in future fiscal years.

Composition of State Cash Receipts and Disbursements. Substantially all State non-pension financial operations are accounted for in the State's governmental funds group. Governmental funds include the General Fund, which receives all income not required by law to be deposited in another fund and which for the State's 1993-94 fiscal year comprises approximately 52% of total projected governmental fund receipts; Special Revenue Funds, which receive the preponderance of moneys received by the State from the Federal government and other income the use of which is legally restricted to certain purposes and which comprised approximately 39% of total projected governmental funds receipts in the 1993-94 fiscal year; Capital Projects Funds, used to finance the acquisition and construction of major capital facilities by the State and to aid in certain of such projects conducted by local governments or public authorities; and Debt Service Funds, which are used for the accumulation of moneys for the payment of principal of and interest on long-term debt and to meet lease-purchase and other contractual-obligation commitments. Receipts in Capital Projects and Debt Service Funds comprise an aggregate of approximately 9% of total projected governmental funds receipts in the 1993-94 fiscal year.

A legislative change implemented in August 1990 affects the way in which a portion of the State's sales and use tax collections are recorded as receipts in the General Fund. Pursuant to legislation creating the Local Government Assistance Corporation ("LGAC"), the Comptroller is required to credit the equivalent of one percentage point of the four percent sales and use tax collections to the Local Government Assistance Tax Fund (the "Tax Fund"), which is a Debt Service Fund, for purposes of making payments to LGAC to provide for the payment of debt service on its bonds and notes. To the extent that these moneys are not necessary for payment to LGAC, they are transferred from the Tax Fund to the General Fund and are reported in the General Fund as a transfer from other funds, rather than as sales and use tax receipts. During the State's 1991-92 and 1992-93 fiscal years $1.435 billion and $1.504 billion, respectively, in sales and use tax receipts were credited to the Tax Fund, and $1.527 billion is estimated to be credited to the Tax Fund during the State's 1993-94 fiscal year. For the 1991-92 fiscal year, the amount transferred to the General Fund from the Tax Fund was $1.316 billion, after providing for the payment of $119 million to LGAC for the purpose of meeting debt service on its bonds and its other cash requirements. For the 1992-93 fiscal year, $1.280 billion was transferred to the General Fund from the Tax Fund after providing for payment of $224 million to LGAC for debt services and other cash requirements, while $1.262 billion is estimated

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

to be transferred in 1993-94, after payment of $247 million to LGAC for debt service and other cash requirements.

The enacted 1993-94 Executive Budget includes several changes in the manner in which General Fund tax receipts are recorded. Receipts from user taxes and fees are reduced by approximately $434 million to reflect receipts that are dedicated for highway and bridge capital purposes, which are to be deposited in the Capital Projects Funds. Also, business taxes are reduced by approximately $176 million to reflect tax receipts that are dedicated for transportation purposes and which will be deposited in the Special Revenue and Capital Project Funds.

Authorities. The fiscal stability of the State is related to the fiscal stability of its Authorities, which generally have responsibility for financing, constructing and operating revenue-producing public benefit facilities. Authorities are not subject to the constitutional restrictions on the incurrence of debt which apply to the State itself, and may issue bonds and notes within the amounts of, and as otherwise restricted by, their legislative authorization. As of September 30, 1992, the latest data available, there were 18 Authorities that had outstanding debt of $100 million or more. The aggregate outstanding debt, including refunding bonds, of these 18 Authorities was $62.2 billion as of September 30, 1992, of which approximately $8.2 billion was moral obligation debt and approximately $17.1 billion was financed under lease-purchase or contractual-obligation financing arrangements.

Authorities are generally supported by revenues generated by the projects financed or operated, such as fares, user fees on bridges, highway tolls and rentals for dormitory rooms and housing. In recent years, however, the State has provided financial assistance through appropriations, in some cases of a recurring nature, to certain of the 18 Authorities for operating and other expenses and, in fulfillment of its commitments on moral obligation indebtedness or otherwise, for debt service. This operating assistance is expected to continue to be required in future years.

The State's experience has been that if an Authority suffers serious financial difficulties, both the ability of the State and the Authorities to obtain financing in the public credit markets and the market price of the State's outstanding bonds and notes may be adversely affected. The New York State Housing Finance Agency ("HFA") and the New York State Urban Development Corporation ("UDC") have in the past required substantial amounts of assistance from the State to meet debt service costs or to pay operating expenses. Further assistance, possibly in increasing amounts, may be required for these, or other, Authorities in the future. In addition, certain statutory arrangements provide for State local assistance payments otherwise payable to localities to be made under certain circumstances to certain Authorities. The State has no obligation to provide additional assistance to localities whose local assistance payments have been paid to Authorities under these arrangements. However, in the event that such local assistance payments are so diverted, the affected localities could seek additional State funds.

Ratings. On June 6, 1990, Moody's changed its rating on all State's outstanding general obligation bonds from A1 to A. On March 26, 1990, Standard & Poor's changed its rating of all of the State's outstanding general obligation bonds from AA- to A. On January 13, 1992, Standard & Poor's changed its rating of all of the State's outstanding general obligation bonds from A to A-. Ratings reflect only the respective views of such organizations, and an explanation of the significance of such ratings may be obtained from the rating agency furnishing the same. There is no assurance that a particular rating will continue for any given period of time or that any such rating will not be revised downward or withdrawn entirely, if in the judgment of the agency originally establishing the rating, circumstances so warrant. A downward revision or withdrawal of such ratings, or either of them, may have an effect on the market price of the State Municipal Securities in which the New York Fund invests.

General Obligation Debt. As of September 30, 1993, the State had approximately $5.134 billion in general obligation bonds, excluding refunding bonds, and $224 million in bond anticipation notes outstanding. On May 4, 1993, the State issued $850 million in tax and revenue anticipation notes which will mature on December 31, 1993. Principal and interest due on general obligation bonds and interest due on bond anticipation notes and on tax and revenue anticipation notes were $890.0 million and $818.8 million for the 1991-92 and 1992-93 fiscal years, respectively, and are estimated to be $785.1 million for the State's 1993-94 fiscal year, not including interest on refunding bonds to the extent that such interest is to be paid from escrowed funds.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Litigation. As a result of the United States Supreme Court decision in the case of State of Delaware v. State of New York, the State may be required to make certain significant payments during the 1993-94 fiscal year or thereafter.

On November 16, 1993, the Court of Appeals, the State's highest court, affirmed the decision of the Appellate Division (Third Department) of the State's Supreme Court in three actions (McDermott, et. al. v. Regan, et. al.; v. Puma, et al.; and Guzdek, et al. v. Regan, et al.) declaring unconstitutional certain legislation enacted in 1990. That legislation mandated a change in the actuarial funding method for determining contributions by the State and its local governments to the State and local retirement systems from the aggregate cost (AC) method, previously used by the Comptroller, to the projected unit credit (PUC) method, and it required the application of the surplus reported under the PUC method as a credit to employer contributions. As a result, contributions to the retirement systems have been significantly reduced since the State's 1990 -91 fiscal year. The Court of Appeals held, among other things, that the State Constitution, which prohibits the benefits of membership in the retirement systems from being impaired or diminished, was violated because the PUC legislation impaired "the means designed to assure benefits to public employees by depriving the Comptroller of his personal responsibility to maintain "the security and sources of benefits" of the pension fund." As a result of this decision, the Comptroller has developed a plan to return to the AC method and to restore prior funding levels of the retirement systems. The Comptroller expects to achieve this objective in a manner that, consistent with his fiduciary responsibilities, will neither require the State to make additional contributions in its 1993-94 fiscal year nor materially and adversely affect the financial condition of the State thereafter. The Comptroller's plan calls for a return to the AC method, using a four-year phase-in the New York State and Local Employees' Retirement System (ERS), with State AC contributions capped at a percentage of payroll that increases each year during the phase-in. Although State contributions capped at a percentage of payroll that increases each year during the phase-in. Although State contributions to ERS under the plan are expected to be lower during the phase-in period than they would have been if the AC method were reinstated immediately, they are expected to exceed PUC levels by $30 million in fiscal 1994-95, $63 million in fiscal 1995-96, $116 million in fiscal 1996-97, and $193 million in fiscal year 1997-98. The excess over PUC levels is expected to peak at $241 million in fiscal 1998-99, when State contributions under the Comptroller's plan are first projected to exceed levels that would have been required by an immediate return to the AC method. The excess over PUC levels is projected to decline after fiscal 1998-99, and, beginning in fiscal 2001-02, State contributions required under the Comptroller's plan are projected to be less than PUC requirements would have been. The State is a defendant in numerous legal proceedings pertaining to matters incidental to the performance of routine governmental operations. Such litigation includes, but is not limited to, claims asserted against the State arising from alleged torts, alleged breaches of contracts, condemnation proceedings and other alleged violations of State and Federal laws. Included in the State's outstanding litigation are a number of cases challenging the constitutionality or the adequacy and effectiveness of a variety of significant social welfare programs primarily involving the State's mental hygiene programs. Adverse judgments in these matters generally could result in injunctive relief coupled with prospective changes in patient care which could require substantial increased financing of the litigated programs in the future. Because of the prospective nature of these matters, no provision for this potential exposure has been made in the State's audited financial statements for the 1991-92 fiscal year.

Adverse developments in any of these proceedings or the initiation of new proceedings could affect the ability of the State to maintain a balanced State Plan. In its audited financial statements for the 1992-93 fiscal year, the State reported its estimated liability for awarded and anticipated unfavorable judgments as $721 million.

Other Localities. Certain localities in addition to the City could have financial problems leading to requests for additional State assistance during the State's 1993-94 fiscal year and thereafter. The potential impact on the State of such actions by localities is not included in the projections of the State receipts and disbursements in the State's 1993-94 fiscal year.

Fiscal difficulties experienced by the City of Yonkers ("Yonkers") resulted in the creation of the Financial Control Board for the City of Yonkers (the "Yonkers Board") by the State in 1984. The Yonkers Board is charged with oversight of the fiscal affairs of Yonkers. Future actions

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

taken by the Governor or the State Legislature to assist Yonkers could result in allocation of State resources in amounts that cannot yet be determined.

SPECIAL INVESTMENT METHODS

When-Issued and Delayed Delivery Transactions. As stated in the Prospectus, the Fund may purchase securities on a "when-issued" basis, and may purchase or sell such securities on a "delayed delivery" basis. Although the Fund will enter into such transactions for the purpose of acquiring securities for its portfolio or for delivery pursuant to options contracts it has entered into, the Fund may dispose of a commitment prior to settlement. "When-issued" or "delayed delivery" refers to securities whose terms and indenture are available and for which a market exists, but which are not available for immediate delivery. When such transactions are negotiated the price (which is generally expressed in yield terms) is fixed at the time the commitment is made, but delivery and payment for the securities take place at a later date. During the period between commitment by the Fund and settlement (generally within two months but not to exceed 120 days), no payment is made for the securities purchased by the purchaser, and no interest accrues to the purchaser from the transaction. Such securities are subject to market fluctuation; the value at delivery may be less than the purchase price. The Fund will maintain a segregated account with its Custodian, consisting of cash, U.S. Government securities or other high grade debt obligations at least equal to the value of purchase commitments until payment is made.

The Fund will engage in when-issued transactions in order to secure what is considered to be an advantageous price and yield at the time of entering into the obligation. When the Fund engages in when-issued or delayed delivery transactions, it relies on the buyer or seller, as the case may be, to consummate the transaction. Failure to do so may result in the Fund losing the opportunity to obtain a price and yield considered to be advantageous. If the Fund chooses to (i) dispose of the right to acquire a when-issued security prior to its acquisition or (ii) dispose of its right to deliver or receive against a forward commitment, it may incur a gain or loss. At the time the Fund makes a commitment to purchase or sell a security on a when-issued or forward commitment basis, it records the transaction and reflects the value of the security purchased, or if a sale, the proceeds to be received in determining its net asset value.

To the extent the Fund engages in when-issued and delayed delivery transactions, it will do so for the purpose of acquiring or selling securities consistent with its investment objective and policies and not for the purposes of investment leverage. The Fund enters into such transactions only with the intention of actually receiving or delivering the securities, although (as noted above), when-issued securities and forward commitments may be sold prior to settlement date. In addition, changes in interest rates in a direction other than that expected by the Manager before settlement will affect the value of such securities and may cause loss to the Fund.

When-issued transactions and forward commitments can be used by the Fund as a defensive technique to use against anticipated changes in interest rates and prices. For instance, in periods of rising interest rates and falling prices, the Fund might sell securities in its portfolio on a forward commitment basis to attempt to limit its exposure to anticipated falling prices. In periods of falling interest rates and rising prices, the Fund might sell portfolio securities and purchase the same or similar securities on a when-issued or forward commitment basis, thereby obtaining the benefit of currently higher cash yields.

Repurchase Agreements. In a repurchase transaction, the Fund acquires a security from, and simultaneously resells it to, an approved vendor (a U.S. commercial bank or U.S. branch of a foreign bank with total domestic assets of a least $1 billion or broker-dealer with net capital of at least $50 million which has been designated a primary dealer in government securities) for delivery on an agreed-on future date. The resale price exceeds the purchase price by an amount that reflects an agreed-upon interest rate effective for the period during which the repurchase agreement is in effect. The majority of these transactions run from day to day, and delivery pursuant to resale typically will occur within one to five days of the purchase. Repurchase agreements are considered loans under the Investment Company Act, collateralized by the underlying security. The Fund's repurchase agreements require that at all times while the repurchase agreement is in effect, the value of the collateral must equal or exceed the repurchase price to fully collateralize the repayment obligation. Additionally, the Manager will continuously monitor the collateral's value and will impose creditworthiness requirements to confirm that the vendor is financially sound.

Loans of Portfolio Securities. The Fund may lend its portfolio securities subject to the restrictions stated in the Prospectus. Under applicable regulatory requirements (which are subject to change), the loan collateral must, on each business day, be at least equal the market value of the

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

loaned securities and must consist of cash, bank letters of credit, securities of the U.S. Government or its agencies or instrumentalities, or other cash equivalents in which the Fund is permitted to invest. To be acceptable as collateral, letters of credit must obligate a bank to pay amounts demanded by the Fund if the demand meets the terms of the letter. Such terms and the issuing bank must be satisfactory to the Fund. The Fund receives an amount equal to the dividends or interest on loaned securities and also receives one or more of: (a) negotiated loan fees, (b) interest on securities used as collateral, or (c) interest on short-term debt securities purchased with such loan collateral; either type of interest may be shared with the borrower. The Fund may also pay reasonable finder's custodian and administrative fees. The terms of the Fund's loans must meet certain tests under the Internal Revenue Code and permit the Fund to reacquire loaned securities on five days' notice or in time to vote on any important matter. Income from securities loans is not included in the exempt-interest dividends paid by the Fund. The Fund will not enter into any securities loans having a duration of more than one year.

Covered Calls and Hedging. As described in the Prospectus, the Fund may write covered calls or employ one or more types of Hedging Instruments. When hedging to attempt to protect against declines in the market value of the Fund's portfolio, to permit the Fund to retain unrealized gains in the value of portfolio securities which have appreciated, or to facilitate selling securities for investment reasons, the Fund may: (i) sell Interest Rate Futures or Municipal Bond Index Futures, (ii) buy puts on such Futures or securities, or (iii) write covered calls on securities, Interest Rate Futures or Municipal Bond Index Futures (as described in the Prospectus). Covered calls may also be written on debt securities to attempt to increase the Fund's income. When hedging to permit the Fund to establish a position in the debt securities market as a temporary substitute for purchasing individual debt securities (which the Fund will normally purchase, and then terminate that hedging position), the Fund may: (i) buy Interest Rate Futures or Municipal Bond Index Futures, or (ii) buy calls on such Futures or on securities. The Fund's strategy of hedging with Futures and options on Futures will be incidental to the Fund's activities in the underlying cash market. Additional information about the covered calls and Hedging Instruments the Fund may use is provided below.

Writing Covered Call Options. When the Fund writes a call on a security, it receives a premium and agrees to sell the underlying investment to a purchaser of a corresponding call during the call period (usually not more than nine months) at a fixed exercise price (which may differ from the market price of the underlying investment) regardless of market price changes during the call period. To terminate its obligation on a call it has written, the Fund may purchase a corresponding call in a "closing purchase transaction." A profit or loss will be realized, depending upon whether the net of the option transaction costs and the premium received on the call written was more or less than the price of the call subsequently purchased. A profit may also be realized if the call lapses unexercised, because the Fund retains the underlying investment and the premium received. Any such profits are considered short-term gains for Federal tax purposes, as are premiums on lapsed calls, and when distributed by the Fund are taxable as ordinary income. If the Fund could not effect a closing purchase transaction due to a lack of a market, it would have to hold the underlying investment until the call lapsed or were exercised.

Interest Rate Futures. The Fund may buy and sell futures contracts relating to debt securities ("Interest Rate Futures") and municipal bond indices ("Municipal Bond Index Futures," discussed below). An Interest Rate Future obligates the seller to deliver and the purchaser to take the related debt securities at a specified price on a specified date. No amount is paid or received upon the purchase or sale of an Interest Rate Future. Upon entering into a Futures transaction, the Fund will be required to deposit an initial margin payment, equal to a specified percentage of the contract amount, with the futures commission merchant (the "futures broker"). The initial margin will be deposited with the Fund's Custodian in an account registered in the futures broker's name; however, the futures broker can gain access to that account only under specified conditions. As the Future is marked to market to reflect changes in its market value, subsequent margin payments, called variation margin, will be made to and from the futures broker on a daily basis. At any time prior to the expiration of the Future, the Fund may elect to close out its position by taking an opposite position, at which time a final determination of variation margin is made and additional cash is required to be paid by or released to the Fund. Any gain or loss is then realized. Although Interest Rate Futures by their terms call for settlement by the delivery of debt securities, in most cases the obligation is fulfilled by entering into an offsetting transaction. All futures transactions are effected through a clearinghouse associated with the exchange on which the contracts are traded.

Municipal Bond Index Futures. A "municipal bond index" assigns relative values to the municipal bonds in the index, and is used as the

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

basis for trading long-term municipal bond futures contracts. Municipal Bond Index Futures are similar to Interest Rate Futures except that settlement is made in cash. The obligation under such contracts may also be satisfied by entering into an offsetting contract to close out the futures position. Net gain or loss on options on Municipal Bond Index Futures depends on the price movements of the securities included in the index. The strategies which the Fund employs regarding Municipal Bond Index Futures are similar to those described above with regard to Interest Rate Futures.

Purchasing Calls and Puts. When the Fund purchases a call (other than in a closing purchase transaction), it pays a premium and, except as to calls on Municipal Bond Index Futures, has the right to buy the underlying investment from a seller of a corresponding call on the same investment during the call period at a fixed exercise price. The Fund benefits only if the call is sold at a profit or if, during the call period, the market price of the underlying investment is above the sum of the call price plus the transaction costs and premium paid for the call, and the call is exercised. If the call is not exercised or sold (whether or not at a profit), it will become worthless at its expiration date and the Fund will lose its premium payment and the right to purchase the underlying investment.

When the Fund purchases a call or put on a municipal bond index, Municipal Bond Index Future or Interest Rate Future, it pays a premium, but settlement is in cash rather than by delivery of the underlying investment to the Fund. Gain or loss depends on changes in the index in question (and thus on price movements in the debt securities market generally) rather than on price movements in individual futures contracts.

When the Fund buys a put, it pays a premium and, except as to puts on municipal bond indices, has the right to sell the underlying investment to a seller of a corresponding put on the same investment during the put period at a fixed exercise price. Buying a put on a debt security, Interest Rate Future or Municipal Bond Index Future the Fund owns enables the Fund to protect itself during the put period against a decline in the value of the underlying investment below the exercise price by selling such underlying investment at the exercise price to a seller of a corresponding put. If the market price of the underlying investment is equal to or above the exercise price and as a result the put is not exercised or resold, the put will become worthless at its expiration date and the Fund will lose its premium payment and the right to sell the underlying investment. The put may, however, be sold prior to expiration (whether or not at a profit).

An option position may be closed out only on a market which provides secondary trading for options of the same series, and there is no assurance that a liquid secondary market will exist for any particular option. The Fund's option activities may affect its turnover rate and brokerage commissions. The exercise of calls written by the Fund may cause it to sell underlying investments, thus increasing its turnover rate in a manner beyond its control. The exercise by the Fund of puts may also cause the sale of underlying investments, also causing turnover, since the underlying investment might be sold for reasons which would not exist in the absence of the put. The Fund will pay a brokerage commission each time it buys a call or a put or sells a call. Premiums paid for options are small in relation to the market value of the related investments and, consequently, put and call options offer large amounts of leverage. The leverage offered by trading in options could cause the Fund's net asset value to be more sensitive to changes in the value of the underlying investments.

Additional Information about Hedging Instruments and Their Use. The Fund's Custodian, or a securities depository acting for the Custodian, will act as the Fund's escrow agent through the facilities of the Options Clearing Corporation ("OCC"), as to the investments on which the Fund has written calls traded on exchanges, or as to other acceptable escrow securities, so that no margin will be required for such transactions. OCC will release the securities on the expiration of the calls or upon the Fund's entering into a closing purchase transaction. An option position may be closed out only on a market which provides secondary trading for options of the same series and there is no assurance that a liquid secondary market will exist for any particular option. The Fund's option activities may affect its portfolio turnover rate and brokerage commissions. The exercise of calls written by the Fund may cause the Fund to sell related portfolio securities, thus increasing its portfolio turnover rate. The exercise by the Fund of puts on securities will cause the sale of related investments, increasing portfolio turnover. Although such exercise is within the Fund's control, holding a put might cause the Fund to sell the related investments for reasons which would not exist in the absence of the put. The Fund will pay a brokerage commission each time it buys a call or put, sells a call, or buys or sells an underlying investment in connection with the exercise of a call or put. Such commissions may be higher on a relative basis than those which would apply to direct purchases or sales of such underlying investments. Premiums paid for options as to underlying investments are small in relation to the

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

market value of such investments and consequently, put and call options offer large amounts of leverage. The leverage offered by trading in options could result in the Fund's net asset value being more sensitive to changes in the value of the underlying investment.

Regulatory Aspects of Hedging Instruments. The use of Futures and options thereon to attempt to protect against the market risk of a decline in the value of portfolio securities is referred to as having a "short futures position," and the use of such instruments to protect against the risk that assets are not fully invested in debt securities when such debt securities increase in value is referred to as having a "long futures position." The Fund must operate within certain restrictions as to its long and short positions in Futures and options thereon under a rule ("CFTC Rule") adopted by the Commodity Futures Trading Commission ("CFTC") under the Commodity Exchange Act (the "CEA"), which excludes the Fund from registration with the CFTC as a "commodity pool operator" (as defined under the CEA), if it complies with the CFTC Rule. Under those restrictions, the Fund will not, as to any positions, whether long, short or a combination thereof, enter into Futures contracts and options thereon for which the aggregate initial margins and premiums exceed 5% of the fair market value of its net assets, with certain exclusions as defined in the CFTC Rule. Under the restrictions, the Fund also must, as to its short positions, use Futures and options thereon solely for bona fide hedging purposes within the meaning and intent of the applicable provisions under the CEA.

Transactions in options by the Fund are subject to limitations established by each of the exchanges governing the maximum number of options which may be written or held by a single investor or group of investors acting in concert, regardless of whether the options were written or purchased on the same or different exchanges or are held in one or more accounts or through one or more different exchanges or through one or more brokers. Thus, the number of options which the Fund may write or hold may be affected by options written or held by other entities, including other investment companies having the same adviser as the Fund or an affiliated investment adviser. Position limits also apply to Futures. An exchange may order the liquidation of positions found to be in violation of those limits and may impose certain other sanctions. Due to requirements under the Investment Company Act, when the Fund purchases an Interest Rate Future or Municipal Bond Index Future, the Fund will maintain, in a segregated account or accounts with its Custodian, cash or readily marketable short-term (maturing in one year or less) debt instruments in an amount equal to the market value of the investments underlying such Future, less the margin deposit applicable to it.

Tax Aspects of Hedging Instruments and Covered Calls. The Fund intends to qualify as a "regulated investment company" under the Internal Revenue Code. One of the tests for such qualification is that less than 30% of its gross income (irrespective of losses) must be derived from gains realized on the sale of securities held for less than three months. Due to this limitation, the Fund will limit the extent to which it engages in the following activities, but will not be precluded from them: (i) selling investments, including Interest Rate Futures and Municipal Bond Index Futures, held for less than three months, whether or not they were purchased on the exercise of a call held by the Fund; (ii) writing calls on investments held less than three months; (iii) purchasing calls or puts which expire in less than three months; (iv) effecting closing transactions with respect to calls or puts purchased less than three months previously; and (v) exercising puts or calls held by the Fund for less than three months.

Possible Risk Factors in Hedging. In addition to the risks with respect to Futures and options discussed in the Prospectus and above, there is a risk in using short hedging by selling Interest Rate Futures and Municipal Bond Index Futures that the prices of such Futures or the applicable index will correlate imperfectly with the behavior of the cash (i.e., market value) prices of the Fund's securities. The ordinary spreads between prices in the cash and futures markets are subject to distortions due to differences in the natures of those markets. First, all participants in the futures market are subject to margin deposit and maintenance requirements. Rather than meeting additional margin deposit requirements, investors may close out futures contracts through offsetting transactions which could distort the normal relationship between the cash and futures markets. Second, the liquidity of the futures market depends on participants entering into offsetting transactions rather than making or taking delivery. To the extent participants decide to make or take delivery, liquidity in the futures market could be reduced, thus producing distortion. Third, from the point of view of speculators, the deposit requirements in the futures market are less onerous than margin requirements in the securities market. Therefore, increased participation by speculators in the futures market may cause temporary price distortions.

The risk of imperfect correlation increases as the composition of the Fund's portfolio diverges from the securities included in the applicable index. To compensate for the imperfect correlation of movements in the

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

price of debt securities being hedged and movements in the price of the Hedging Instruments, the Fund may use Hedging Instruments in a greater dollar amount than the dollar amount of debt securities being hedged if the historical volatility of the prices of such debt securities being hedged is more than the historical volatility of the applicable index. It is also possible that where the Fund has used Hedging Instruments in a short hedge, the market may advance and the value of debt securities held in the Fund's portfolio may decline. If this occurred, the Fund would lose money on the Hedging Instruments and also experience a decline in value of its debt securities. However, while this could occur for a very brief period or to a very small degree, over time the value of a diversified portfolio of debt securities will tend to move in the same direction as the indices upon which the Hedging Instruments are based. If the Fund uses Hedging Instruments to establish a position in the debt securities markets as a temporary substitute for the purchase of individual debt securities (long hedging) by buying Interest Rate Futures, Municipal Bond Index Futures and/or calls on such Futures or debt securities, it is possible that the market may decline; if the Fund then concludes not to invest in such securities at that time because of concerns as to possible further market decline or for other reasons, the Fund will realize a loss on the Hedging Instruments that is not offset by a reduction in the price of the debt securities purchased.

INVESTMENT RESTRICTIONS

The Fund's significant investment restrictions are described in the Prospectus. The following investment restrictions are also fundamental policies of the Fund, and, together with the fundamental policies and investment objective described in the Prospectus, can be changed only by the vote of a "majority" of the Fund's outstanding voting securities. Under the Investment Company Act, such a "majority" vote is defined as the vote of the holders of the lesser of: (i) 67% or more of the shares present or represented by proxy at such meeting, if the holders of more than 50% of the outstanding shares are present, or (ii) more than 50% of the outstanding shares.

Under these additional restrictions, the Fund cannot: (1) Invest in real estate, but the Fund may invest in Municipal Securities or other permitted securities secured by real estate or interests therein; (2) Purchase securities other than Hedging Instruments on margin; however, the Fund may obtain such short-term credits as may be necessary for the clearance of purchases and sales of securities; (3) Make short sales of securities; (4) Underwrite securities or invest in securities subject to restrictions on resale; (5) Invest in or hold securities of any issuer if those officers and trustees of the Fund or its adviser beneficially owning individually more than .5% of the securities of such issuer together own more than 5% of the securities of such issuer; or (6) Invest in securities of any other investment company, except in connection with a merger with another investment company.

Diversification. For purposes of diversification under the Investment Company Act and the investment restrictions set forth in the Prospectus and above, the identification of the "issuer" of a Municipal Security depends on the terms and conditions of the security. When the assets and revenues of an agency, authority, instrumentality or other political subdivision are separate from those of the government creating the subdivision, and the security is backed only by the assets and revenues of the subdivision, such subdivision would be deemed to be the sole issuer. Similarly, in the case of an industrial development bond, if that bond is backed only by the assets and revenues of the nongovernmental user, then such nongovernmental user would be deemed the sole issuer. However, if in either case the creating government or some other entity guarantees the security, such a guarantee would be considered a separate security and would be treated as an issue of such government or other agency. In applying these restrictions to its investments, the Manager will consider a nongovernmental user of facilities financed by industrial development bonds as being in a particular industry, despite the fact that there is no industry concentration limitation as to Municipal Securities. Although this application of the restriction is not technically a fundamental policy of the Fund, it will not be changed without shareholder approval. The Manager has no present intention of investing more than 25% of the Fund's assets in securities paying interest from revenues of similar type projects, or in industrial development bonds. This is not a fundamental policy, and therefore may be changed without shareholder approval. Should any such change be made, the Prospectus and/or this Additional Statement will be supplemented accordingly.

TRUSTEES AND OFFICERS

The Trustees and officers of the Fund and their principal occupations and business affiliations during the past five years are set forth below. The address of each, except as noted, is Two World Trade Center, New York, New York 10048-0203. Except for Mr. Patterson, each serves in similar capacities with Oppenheimer Fund, Oppenheimer Time Fund, Oppenheimer

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Special Fund, Oppenheimer Tax-Free Bond Fund, Oppenheimer California Tax-Exempt Fund, Oppenheimer Pennsylvania Tax-Exempt Fund, Oppenheimer Florida Tax-Exempt Fund, Oppenheimer Global Fund, Oppenheimer Money Market Fund, Inc., Oppenheimer U.S. Government Trust, Oppenheimer Gold & Special Minerals Fund, Oppenheimer Target Fund, Oppenheimer Asset Allocation Fund, Oppenheimer Mortgage Income Fund, Oppenheimer Global Bio-Tech Fund, Oppenheimer Discovery Fund, Oppenheimer Global Environment Fund, Oppenheimer Global Growth & Income Fund, Oppenheimer Multi-Government Trust and Oppenheimer Multi-Sector Income Trust (collectively, the "New York-based OppenheimerFunds"). As of December 31, 1993, the Trustees and officers as a group beneficially owned less than 1% of the outstanding shares of the Fund.

LEON LEVY, Chairman of the Board of Trustees
General Partner of Odyssey Partners, L.P. (investment partnership); Chairman of Avatar Holdings, Inc. (real estate development).

LEO CHERNE, Trustee
386 Park Avenue South, New York, New York 10016
Chairman Emeritus of the International Rescue Committee (philanthropic organization); formerly Executive Director of the Research Institute of America.

EDMUND T. DELANEY, Trustee
5 Gorham Road, Chester, Connecticut 06412
Attorney-at-Law; formerly a Member of the Connecticut State Historical Commission and Counsel to Copp, Berall & Hempstead (a law firm).

ROBERT G. GALLI, Trustee*
Vice Chairman of the Manager and Vice President of Oppenheimer Acquisition Corp. ("OAC") the Manager's parent holding company; formerly he held the following positions: a director of Oppenheimer Funds Distributor, Inc. (the "Distributor"), Vice President and a director of HarbourView Asset Management Corporation ("HarbourView") and Centennial Asset Management Corporation ("Centennial"), investment adviser subsidiaries of the Manager, a director of Shareholder Financial Services, Inc. ("SFSI") and Shareholder Services, Inc. ("SSI"), transfer agent subsidiaries of the Manager, an officer of other OppenheimerFunds and Executive Vice President and General Counsel of the Manager and the Distributor.

BENJAMIN LIPSTEIN, Trustee
591 Breezy Hill Road, Hillsdale, NY 12529
Professor Emeritus of Marketing, Stern Graduate School of Business Administration, New York University.

ELIZABETH B. MOYNIHAN, Trustee
801 Pennsylvania Avenue, N.W., Washington, DC 20004
Author and architectural historian; a trustee of the American Schools of Oriental Research and the Freer Gallery of Art, Smithsonian Institution; a member of the Indo-U.S. Sub-Commissions on Education and Culture; a trustee of the Institute of Fine Arts, New York University, and a trustee of the Preservation League of New York State.

KENNETH A. RANDALL, Trustee
6 Whittaker's Mill, Williamsburg, Virginia 23185
A director of Northeast Bancorp, Inc. (bank holding company), Dominion Resources, Inc. (electric utility holding company) and Kemper Corporation (insurance and financial services company); formerly Chairman of the Board of ICL, Inc. (information systems).

EDWARD V. REGAN, Trustee
40 Park Avenue, New York, New York 10016
President of Jerome Levy Institute, Bard College; Member of the U.S. Competitiveness Policy Council; formerly New York State Comptroller.

RUSSELL S. REYNOLDS, JR., Trustee
200 Park Avenue, New York, New York 10166
Founder Chairman of Russell Reynolds Associates, Inc. (executive recruiting); Chairman of Directors Publication, Inc. (consulting and publishing); a Trustee of Mystic Seaport Museum, International House, Greenwich Historical Society and Greenwich Hospital.

____

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

*A Trustee who is an "interested person" of the Fund as defined in the Investment Company Act.

SIDNEY M. ROBBINS, Trustee
50 Overlook Road, Ossining, New York 10562
Chase Manhattan Professor Emeritus of Financial Institutions, Graduate School of Business, Columbia University; Visiting Professor of Finance, University of Hawaii; a director of The Korea Fund, Inc. and The Malaysia Fund, Inc. (closed-end investment companies); a member of the Board of Advisors, Olympus Private Placement Fund, L.P.; Professor Emeritus of Finance, Adelphi University.

DONALD W. SPIRO, President and Trustee*
Chairman Emeritus of the Manager; formerly Chairman and President of the Manager and President and a Director of the Distributor.

PAULINE TRIGERE, Trustee
550 Seventh Avenue, New York, New York 10018
Chairman and Chief Executive Officer of Trigere, Inc. (design and sale of women's fashions).

CLAYTON K. YEUTTER, Trustee
1325 Merrie Ridge Road, McLean, Virginia 22101
Of Counsel, Hogan & Hartson (a law firm); a director of B.A.T. Industries, Ltd. (tobacco and financial services), Caterpillar, Inc. (machinery), ConAgra, Inc. (food and agricultural products), FMC Corp. (chemicals and machinery), Lindsay Manufacturing Co. and Texas Instruments, Inc. (electronics); formerly (in descending chronological order) Deputy Chairman, Bush/Quayle Presidential Campaign, Counsellor to the President (Bush) for Domestic Policy, Chairman of the Republican National Committee, Secretary of the U.S. Department of Agriculture, and U.S. Trade Representative, Executive Office of the President.

ROBERT E. PATTERSON, Vice President and Portfolio Manager
Senior Vice President of the Manager; an officer of other OppenheimerFunds.

ANDREW J. DONOHUE, Secretary
Executive Vice President and General Counsel of the Manager and the Distributor; an officer of other OppenheimerFunds; formerly Senior Vice President and Associate General Counsel of the Manager and the Distributor; Partner in, Kraft & McManimon (a law firm); an officer of First Investors Corporation (a broker-dealer) and First Investors Management Company, Inc. (broker-dealer and investment adviser); director and an officer of First Investors Family of Funds and First Investors Life Insurance Company.

GEORGE C. BOWEN, Treasurer
3410 South Galena Street, Denver, Colorado 80231
Senior Vice President and Treasurer of the Manager; Vice President and Treasurer of the Distributor and HarbourView; Senior Vice President, Treasurer and Assistant Secretary and a director Centennial; Vice President/Treasurer and Secretary of SSI and SFSI; an officer of other OppenheimerFunds; formerly Senior Vice President/Comptroller and Secretary of Oppenheimer Asset Management Corporation.

LYNN M. COLUCCY Assistant Treasurer
3410 South Galena Street, Denver, Colorado 80231
Vice President and Assistant Treasurer of the Manager; an officer of other OppenheimerFunds; formerly Vice President/Director of Internal Audit of the Manager.

ROBERT G. ZACK, Assistant Secretary
Senior Vice President and Associate General Counsel of the Manager; Assistant Secretary of SSI and SFSI; an officer of other OppenheimerFunds.

Remuneration of Trustees. The officers of the Fund (including Mr. Spiro) are affiliated with the Manager and receive no salary or fee from the Fund. During the fiscal year ended September 30, 1993, the remuneration (including expense reimbursements) paid by the Fund to all Trustees of the Fund (excluding Messrs. Spiro and Galli) as a group and as members of one or more committees, totaled $47,114. The Fund has adopted a retirement plan under which each Trustee who is not an "interested person" of the Fund and who retires after a minimum required period of service would be entitled to retirement payments upon reaching age 70, based upon length of service and computed as a percentage of the average of the five highest years of compensation, subject to a maximum amount per year. No Trustee has retired since adoption of the program and no payments have been made by the Fund under it. In the fiscal year ended September 30, 1993, the Fund accrued $5,268 for retirement plan benefits for its Trustees under

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

the plan.

Major Shareholders. As of December 31, 1993, no person owns of record or is known by the Fund to own beneficially 5% or more of the Fund's outstanding shares.

INVESTMENT MANAGEMENT SERVICES

The Manager is wholly-owned by Oppenheimer Acquisition Corp., a holding company controlled by Massachusetts Mutual Life Insurance Company. OAC is also owned in part by certain of the Manager's directors and officers, some of whom may also serve as officers of the Fund, and two of whom (Messrs. Spiro and Galli) serve as Trustees of the Fund.

The management fee is payable monthly to the Manager under the terms of the investment advisory agreement between the Manager and the Fund (the "Agreement") and is computed on the net assets of the Fund as of the close of business each day. Expenses not expressly assumed by the Manager under the Agreement or by the Distributor are paid by the Fund. The Agreement lists examples of expenses paid by the Fund, the major categories of which relate to interest, taxes, brokerage commissions, fees to independent Trustees, legal and audit expenses, custodian and transfer agent expenses, share issuance costs, certain printing and registration costs and non-recurring expenses, including litigation. For the fiscal years ended September 30, 1991, 1992 and 1993, the management fees paid by the Fund to the Manager were $1,687,920, $2,432,697 and $3,486,365, respectively. The Agreement contains no expense limitation.

The Agreement provides that in the absence of willful misfeasance, bad faith, gross negligence or reckless disregard for its obligations thereunder, the Manager is not liable for any loss sustained by reason of any good faith error or omission in connection with any matter to which the Agreement relates. The Agreement permits the Manager to act as investment adviser for any other person, firm or corporation and to use the name "Oppenheimer" in connection with its other activities. If the Manager shall no longer act as investment adviser to the Fund, the right of the Fund to use the name "Oppenheimer" as part of its name may be withdrawn.

Portfolio Transactions. Portfolio decisions are based upon recommendations of the Manager and the judgment of the portfolio manager. As most purchases made by the Fund are principal transactions at net prices, the Fund incurs little or no brokerage costs. The Fund usually deals directly with the selling or purchasing principal or market maker without incurring charges for the services of a broker on its behalf unless it is determined that a better price or execution may be obtained by utilizing the services of a broker. Purchases of portfolio securities from underwriters include a commission or concession paid by the issuer to the underwriter, and purchases from dealers include a spread between the bid and asked price. The Fund seeks to obtain prompt execution of orders at the most favorable net price.

If a broker is used for the Fund's portfolio transactions, the Agreement contains provisions relating to the selection of brokers, dealers and futures commission merchants (collectively referred to as "brokers") for the Fund's futures, put and call transactions. The Manager is authorized by the Agreement to employ brokers as may, in its best judgment based on all relevant factors, implement the policy of the Fund to obtain, at reasonable expense, the "best execution" (prompt and reliable execution at the most favorable price obtainable) of such transactions. The Manager need not seek competitive commission bidding but is expected to minimize the commissions paid to the extent consistent with the interest and policies of the Fund.

The Agreement allows affiliates of the Manager to act as the Fund's brokers and receive brokerage commissions. Commissions paid to affiliates are calculated in accordance with "Procedures" adopted pursuant to Securities and Exchange Commission ("SEC") Rule 17e-1 under the Act, which requires that commissions paid to an affiliate or an affiliate of an affiliate of the Manager must be "reasonable and fair compared to the commission, fee or other remuneration received or to be received by other brokers in connection with comparable transactions involving similar securities during a comparable period of time." When the Fund engages in an option transaction, ordinarily the same broker will be used for the purchase or sale of the option and any transactions in the securities to which the option relates. Where possible, concurrent orders to purchase or sell the same security by more than one of the accounts managed by the Manager or its affiliates are combined. The transactions effected pursuant to such combined orders are averaged as to price and allocated in accordance with the purchase or sale orders actually placed for each account.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Under the Agreement, the Manager is authorized to select brokers other than affiliates which provide brokerage and/or research services for the Fund and/or the other accounts over which the Manager or its affiliates have investment discretion. The commissions paid to such brokers may be higher than another qualified broker would have charged if a good faith determination is made by the Manager that the commission is reasonable and fair in relation to the services provided. There is no formula under which any of the brokers selected by the Manager are entitled to the allocation of a particular amount of commissions. Subject to the foregoing considerations, the Manager may also consider the willingness of particular broker-dealers to sell shares of the Fund and other funds advised by the Manager and its affiliates as a factor in their selection.

The research services provided by a particular broker may be useful only to one or more of the advisory accounts of the Manager and its affiliates, and investment research for the commissions of these other accounts may be useful both to the Fund and one or more of such other accounts. Such research, which may be supplied by a third party at the instance of a broker, includes information and analyses on particular companies, issuers and industries as well as market or economic trends and portfolio strategy, receipt of market quotations for portfolio evaluations, information systems, computer hardware and similar products and services. It serves to broaden the scope and supplement the research activities of the Manager, to make available additional views for consideration and comparisons, and to enable the Manager to obtain market information for the valuation of securities held in the Fund's portfolio or being considered for purchase. If a research service also assists the Manager in a non-research capacity (such as bookkeeping or other administrative functions), then only the percentage or component that provides assistance to the Manager in the investment decision-making process may be paid for in commission dollars. The Board and the independent Trustees of the Fund annually review information furnished by the Manager relative to the commissions paid to brokers furnishing such services in an effort to ascertain that the amount of such commissions was reasonably related to the value or benefit of such services. The Board of Trustees has permitted the Manager to use concessions on fixed-price offerings to obtain research, in the same manner as is permitted for agency transactions.

PURCHASE, REDEMPTION AND PRICING OF SHARES

Determination of Net Asset Value Per Share. The net asset values per share of Class A and Class B shares of the Fund is determined each day the New York Stock Exchange (the "NYSE") is open as of 4:00 P.M. (all references to time mean New York time) that day by dividing the value of the Fund's net assets attributable to that class by the number of shares of that class outstanding. The NYSE's most recent annual holiday schedule (which is subject to change) states that it will close New Year's Day, Presidents' Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day. The NYSE may also close on other days. Dealers other than NYSE members may conduct trading in Municipal Securities on certain days on which the NYSE is closed (including weekends and holidays), so that securities of the same type held by the Fund may be traded, and the net asset values per share of its Class A and Class B shares may be significantly affected on such days when shareholders do not have the ability to purchase or redeem shares.

The Fund's Board of Trustees has established procedures for the valuation of its securities: (i) long-term debt securities, and short-term debt securities having a remaining maturity in excess of 60 days, are valued at the mean between the asked and bid prices determined by a portfolio pricing service approved by the Board or obtained from active market makers in the security; (ii) short-term debt securities having a remaining maturity of 60 days or less are valued at cost, adjusted for amortization of premiums and accretion of discounts; and (iii) securities (including restricted securities) not having readily-available market quotations are valued at fair value under the Board's procedures. In the case of Municipal Securities, U.S. Government securities and corporate bonds, where last sale information is not generally available, such pricing procedures may include "matrix" comparisons to the prices for comparable instruments on the basis of quality, yield, maturity and other special factors involved. With the approval of the Fund's Board of Trustees, the Manager may employ a pricing service, bank or broker-dealer experienced in such matters to price any of the types of securities described above. The Trustees will monitor the accuracy of pricing services by comparing prices used for portfolio evaluation to actual sales prices of selected securities. The Fund values puts, calls, Interest Rate Futures and Municipal Bond Index Futures at the last sale prices on the principal exchange or on the NASDAQ on which they are traded, or if there are no sales that day, at values based on the last sale price of the preceding trading day or closing bid and asked prices.

Dual Class Methodology. The methodology for calculating the net asset

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

value, dividends and distributions of the Fund's Class A and Class B shares recognizes two types of expenses. General expenses that do not pertain specifically to either class are allocated pro rata to the shares of each class, based on the percentage of the Fund's aggregate net assets represented by the net assets of that class. Such general expenses include (i) management fees, (ii) legal, bookkeeping and audit fees, (iii) printing and mailing costs of shareholder reports, Prospectuses, Additional Statements and other materials for current shareholders, (iv) fees to unaffiliated Trustees, (v) custodian expenses, (vi) share issuance costs, (vii) organization and start-up costs, (viii) interest, taxes and brokerage commissions, and (ix) non-recurring expenses, such as litigation costs. Other expenses that are directly attributable to a class are allocated equally to each outstanding share within that class. Such expenses include (i) Distribution and/or Service Plan fees, (ii) incremental transfer and shareholder servicing agent fees and expenses, (iii) registration fees and (iv) shareholder meeting expenses, to the extent that such expenses pertain to a specific class rather than to the Fund as a whole.

Reduced Sales Charges. As discussed in the Prospectus, a reduced sales charge rate may be obtained for Class A shares under Right of Accumulation and Letters of Intent because of the economies of sales efforts and reduction in expenses realized by the Distributor, dealers and brokers making such sales. No sales charge is imposed in certain circumstances described in the Prospectus because the Distributor, dealer or broker incurs little or no selling expenses. The term "immediate family" refers to one's spouse, children, grandchildren, parents, grandparents, parents-in-law, brothers and sisters, sons- and daughters-in-law, a sibling's spouse and a spouse's siblings.

Redemptions. The Prospectus states that payment for shares tendered for redemption is ordinarily made in cash. However, if the Board of Trustees determines that it would be detrimental to the best interests of the remaining shareholders of the Fund to make payment wholly or partly in cash, the Fund may pay the redemption proceeds in whole or in part by a distribution in kind of securities from the portfolio of the Fund, in lieu of cash, in conformity with applicable SEC rules. The Fund has elected to be governed by Rule 18f-1 under the Act, pursuant to which the Fund is obligated to redeem shares solely in cash up to the lesser of $250,000 or 1% of the net assets of that Fund during any 90-day period for any one shareholder. If shares are redeemed in kind, the redeeming shareholder might incur brokerage or other costs in converting the assets to cash. The method of valuing securities used to make redemptions in kind will be the same as the method of valuing portfolio securities described under "Determination of Net Asset Value Per Share," and such valuation will be made as of the same time the redemption price is determined.

The Fund's Board of Trustees has the right to cause the involuntary redemption of shares held in any account if the aggregate net asset value of such shares (taken at cost or value as determined by the Board) is less than $500 or such lesser amount as the Board may fix. The Fund's Board of Trustees will not cause the involuntary redemption of shares held in an account if the aggregate net asset value of such shares has fallen below $500 solely as a result of market fluctuations. Should the Board elect to exercise this right, it may also fix, in accordance with the Investment Company Act, the requirements for any notice to be given to the shareholders in question (not less than 30 days) or may set requirements for permission to allow the shareholder to increase his investment so that the shares would not be involuntarily redeemed.

Cancellation of Purchase Orders. Cancellation of purchase orders for Fund shares (for example, when submitted to purchase shares are returned to the Fund unpaid) causes a loss to be incurred when the net asset value of the Fund's shares on the date of cancellation is less than on the purchase date. That loss is equal to the difference in net asset value per share multiplied by the number of shares in the purchase order. The investor is responsible for that loss. If the investor fails to compensate the Fund for the loss, the Distributor will do so. The Fund may reimburse the Distributor for that amount by redeeming shares from any account registered in that investor's name, or by seeking other redress.

Transfer of Shares. Shareholders owning shares of both classes must specify whether they intend to transfer Class A or Class B shares. Shares are not subject to the payment of a CDSC of either class at the time of transfer (by absolute assignment, gift or bequest, not involving, directly or indirectly, a public sale). The transferred shares will remain subject to the CDSC, calculated as if the transferee shareholder had acquired the transferred shares in the same manner and at the same time as the transferring shareholder. If less than all shares held in an account are transferred, and some but not all shares in the account would be subject to a CDSC if redeemed at the time of transfer, then shares will be transferred in the order described in "How to Buy Shares - Class B Contingent Deferred Sales Charge" in the Prospectus for the imposition of the Class B CDSC on redemptions.

Exchanges of Class B Shares. As stated in the Prospectus, shares of a

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

particular class of Eligible Funds having more than one class of shares may be exchanged only for shares of the same class or another Eligible Fund. All of the Eligible Funds offer Class A shares, but only the following other Eligible Funds offer Class B shares:

Oppenheimer Strategic Income Fund
Oppenheimer Strategic Income & Growth Fund
Oppenheimer Strategic Investment Grade Bond Fund
Oppenheimer Strategic Short-Term Income Fund
Oppenheimer Tax-Free Bond Fund
Oppenheimer Total Return Fund, Inc.
Oppenheimer Investment Grade Bond Fund
Oppenheimer Value Stock Fund
Oppenheimer California Tax-Exempt Fund
Oppenheimer Pennsylvania Tax-Exempt Fund
Oppenheimer Government Securities Fund
Oppenheimer High Yield Fund
Oppenheimer Insured Tax-Exempt Bond Fund
Oppenheimer Mortgage Income Fund
Oppenheimer Cash Reserves
Oppenheimer Special Fund
Oppenheimer Equity Income Fund
Oppenheimer Global Fund
Oppenheimer Main Street California Tax-Exempt Fund
Oppenheimer Discovery Fund (avail. 4/1/94)

DISTRIBUTION AND SERVICE PLANS

The Fund has adopted a separate Plan for each class of shares under Rule 12b-1 of the Investment Company Act, pursuant to which the Fund will reimburse the Distributor quarterly for all or a portion of its costs incurred in connection with the distribution and/or servicing of the shares of that class, as described in the Prospectus. Each Plan has been approved: (i) by a vote of the Board of Trustees of the Fund, including a majority of the "Independent Trustees" (those Trustees of the Fund who are not "interested persons," as defined in the Investment Company Act, and who have no direct or indirect financial interest in the operation of the Plans or in any agreements relating to the Plans), cast in person at a meeting called for the purpose of voting on that Plan; and (ii) by the vote of the holders of a "majority" (as defined in the Investment Company Act) of the shares of each class [for the Distribution and Service Plan for the Class B shares (the "Class B Plan"), such vote having been cast by the Manager as the sole initial holder of Class B shares of the Fund].

Each Plan shall, unless terminated as described below, continue in effect from year to year but only as long as such continuance is specifically approved at least annually by the Fund's Board of Trustees and its Independent Trustees by a vote cast in person at a meeting called for the purpose of voting on such continuance. Either Plan may be terminated at any time by the vote of a majority of the Independent Trustees or by the vote of the holders of a "majority" (as defined in the Investment Company Act) of the outstanding shares of the Class affected by the amendment. All material amendments must be approved by the Independent Trustees.

While the Plans are in effect, the Treasurer of the Fund shall provide separate written reports to the Fund's Board of Trustees at least quarterly on the amount of all payments made pursuant to the Plan, the purpose for which each payment was made and the identity of each Recipient that received any such payment. The report for the Class B Plan shall also include the distribution costs for that quarter, and such costs for previous fiscal periods that are carried forward, as explained in the Prospectus and below. Those reports, including the allocations on which they are based, will be subject to the review and approval of the Independent Trustees in the exercise of their fiduciary duty. Each Plan further provides that while it is in effect, the selection and nomination of those Trustees of the Fund who are not "interested persons" of the Fund is committed to the discretion of the Independent Trustees. This does not prevent the involvement of others in such selection and nomination if the final decision as to any such selection or nomination is approved by a majority of the Independent Trustees.

Under the Plans, no payment will be made to any Recipient in any quarter if the aggregate net asset value of all Fund shares held by the Recipient for itself and its customers did not exceed a minimum amount, if any, that may be determined from time to time by a majority of the Fund's Independent Trustees. Initially, the Board of Trustees has set the fee at the maximum rate and set no minimum amount. The Plans permit the Distributor and the Manager to make additional distribution payments to Recipients from their own resources (including profits from advisory fees) at no cost to the Fund. The Distributor and the Manager may, in their sole discretion, increase or decrease the amount of distribution assistance payments they make to Recipients from their own assets.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

For the fiscal year ended September 30, 1993, payments under the Class A Plan totaled $1,554,094, all of which was paid by the Distributor to Recipients including $22,168 paid to an affiliate of the Distributor. Payments received by the Distributor under the Class A Plan will not be used to pay any interest expense, carrying charges, or other financial costs, or allocation of overhead by the Distributor. Any unreimbursed expenses incurred with respect to Class A shares for any fiscal quarter by the Distributor may not be recovered under the Class A Plan in subsequent fiscal quarters.

The Class B Plan allows the service fee payment to be paid by the Distributor to Recipients in advance for the first year Class B shares are outstanding, and thereafter on a quarterly basis, as described in the Prospectus. The advance payment is based on the net assets of the Class B shares sold. An exchange of shares does not entitle the Recipient to an advance service fee payment. In the event Class B shares are redeemed during the first year such shares are outstanding, the Recipient will be obligated to repay a pro rata portion of such advance payment to the Distributor. Although the Class B Plan permits the Distributor to retain both the asset-based sales charges and the service fee on Class B shares, or to pay Recipients the service fee on a quarterly basis, without payment in advance, the Distributor intends to pay the service fee to Recipients in the manner described above. A minimum holding period may be established from time to time under the Class B Plan by the Board. Initially, the Board has set no minimum holding period. All payments under the Class B Plan are subject to the limitations on such plans imposed by the National Association of Securities Dealers, Inc. Rules of Fair Practice. The Class B Plan allows for the carry-forward of distribution expenses, to be recovered from asset-based sales charges in subsequent fiscal periods, as described in the Prospectus. For the fiscal period from March 1, 1993 (inception of the class) to September 30, 1993 (the "fiscal period ended September 30, 1993"), $119,923 was retained as reimbursement for Class B distribution-related expenses and sales commissions under the Class B 12b-1 Plan.

The asset-based sales charge paid to the Distributor by the Fund under the Class B Plan is intended to allow the Distributor to recoup the cost of sales commissions paid to authorized brokers and dealers at the time of sale, plus financing costs, as described in the Prospectus. Such payments may also be used to pay for the following expenses in connection with the distribution of Class B shares: (i) financing the advance of the service fee payment to Recipients under the Class B Plan, (ii) compensation and expenses of personnel employed by the Distributor to support distribution of Class B shares, and (iii) costs of sales literature, advertising and prospectuses (other than those furnished to current shareholders) and state "blue sky" registration fees.

The Glass-Steagall Act and other applicable laws and regulations, among other things generally prohibit Federally-chartered or supervised banks from engaging in the business of underwriting, selling or distributing securities as principals. Accordingly, the Distributor may pay banks only for sales made on an agency basis or for the performance of administrative and shareholder servicing functions. While the matter is not free from doubt, the Manager understands that such laws and regulations do not prohibit banks and other financial institutions from providing the services required of a Recipient. However, judicial or administrative decisions or interpretations of such laws, as well as changes in either Federal or state statutes or regulations relating to the permissible activities of banks or their subsidiaries or affiliates, could prevent certain banks from continuing to perform all or a part of these services. If a bank were so prohibited, shareholders of the Fund who were clients of such bank would be permitted to remain as shareholders, and if that bank could no longer provide those service functions, alternate means for continuing the servicing of such shareholders would be sought. In such event, shareholders serviced by such bank might no longer be able to avail themselves of any automatic investment or other services then being provided by such bank. The Fund's Board of Trustees will consider appropriate modifications to the Fund's operations, including discontinuance of payments under the Plans to such institutions, in the event of any future change in such laws or regulations that may adversely affect the ability of such institutions to provide those services. It is not expected that shareholders would suffer any adverse financial consequences as a result of any of those occurrences. In addition, certain banks and financial institutions may be required to register as dealers under state law.

PERFORMANCE AND TAX INFORMATION

Yield and Total Return Information. As described in the Prospectus, from time to time the "yield," "tax-equivalent yield," "dividend yield," "average annual total return," "total return" and "total return at net

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

asset value" of an investment in each class of Fund shares may be advertised. An explanation of how yields and total returns are calculated and the components of those calculations are set forth below.

The Fund's standardized yield for the 30-day period ended September 30, 1993 was 4.99% and 4.41% on Class A and Class B shares, respectively. Such yields are calculated using the following formula set forth under SEC rules:

$$\text{Yield} = 2\left(\left(\frac{a-b}{cd} + 1\right)^{6} - 1\right)$$

The symbols above represent the following factors:

a = dividends and interest earned during the 30-day period.
b = expenses accrued for the period (net of any expense reimbursements).
c = the average daily number of shares of that class outstanding during the 30-day period that were entitled to receive dividends.
d = the maximum offering price per share of the class on the last day of the period, adjusted for undistributed net investment income.

The yield of a class of shares for a 30-day period may differ from its yield for any other period. The SEC formula assumes that the yield for a 30-day period occurs at a constant rate for a six-month period and is annualized at the end of the six-month period. This "standardized" yield is not based on distributions paid by the Fund to shareholders in the 30-day period, but is a hypothetical yield based upon the Fund's portfolio investments, and may differ from the "dividend yield," described below.

"Tax-equivalent yield" of a class of shares adjusts the yield, as calculated above, by a stated Federal tax rate. The tax-equivalent yield is based on a 30-day period, and is computed by dividing the tax-exempt portion of the yield (as calculated above) by one minus a stated income tax rate and adding the result to the portion (if any) of the yield that is not tax exempt. The tax equivalent yield may be used to compare the tax effects of income derived from shares of a class with income from taxable investments at the tax rates stated. For the 30-day period ended September 30, 1993, the tax-equivalent yield was 9.42% and 8.33% for the Class A and Class B shares, respectively, for an individual New York City resident in the 47.05% combined effective tax bracket. Appendix B includes a tax-equivalent yield table, based on various effective tax brackets for individual taxpayers.

From time to time the Fund may quote a "dividend yield" or a "distribution return" for each class. Dividend yield is based on the Class A or Class B share dividends derived from net investment income during a stated period and distribution return includes dividends derived from net investment income and from realized capital gains declared during a stated period. Under those calculations, the dividends and/or distributions for that class declared during a stated period of one year or less (for example, 30 days) are added together, and the sum is divided by the maximum offering price per share of that class on the last day of the period. The result may be annualized if the period of measurement is less than one year. The dividend yield is calculated as follows:

Dividend Yield of the Class =

$$\frac{\text{Dividends of the Class}}{\text{Max Offering Price of the Class (last day of period)}}$$

Divided by number of days (accrual period) x 365

In the formula above, "Dividend" is the sum of the class's dividends declared during the stated dividend period, and "MOP" is the maximum offering price on the last day of the period. For the 30-day period ended September 30, 1993, the dividend yield on Class A and Class B shares was 5.54% and 5.01%, respectively. From time to time similar calculations may also be made using the Fund's Class A net asset value (instead of its maximum offering price) at the end of the period. The dividend yield at net asset value on Class A shares for the 30-day period ended September 30, 1993 was 5.81%.

The "average annual total return" of a class is an average annual

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

compounded rate of return. It is the rate of return based on factors which include a hypothetical initial investment of $1,000 ("P" in the formula below) held for a number of years ("n") with an Ending Redeemable Value ("ERV") of that investment, according to the following formula:

$$\left(\frac{ERV}{P}\right)^{1/n} - 1 = \text{Average Annual Total Return}$$

The "total return" calculation uses the same factors, but does not average the rate of return on an annual basis. Total return measures the cumulative (rather than the average) change in value of a hypothetical investment over a stated period. Total return is determined as follows:

$$\frac{ERV - P}{P} = \text{Total Return}$$

Both formulas assume (i) for Class A shares, the payment of the current maximum sales charge of 4.75% (as a percentage of the offering price) on the initial investment ("P") and (ii) for Class B shares assume the payment of the contingent deferred sales charge of 5.0% for the first year, 4.0% for the second year, 3.0% for the third and fourth years, 2% for the fifth year, and 1.0% in the sixth year, and none thereafter. The formulas also assume that all dividends and capital gains distributions during the period are reinvested at net asset value per share, and that the investment is redeemed at the end of the period. The average annual total return on an investment in Class A shares for the one and five year periods ended September 30, 1993 and for the period August 16, 1984 (commencement of operations) to September 30, 1993 were 8.90%, 8.85% and 10.83%, respectively. The total return on Class A shares for that period was 155.50%. The average annual total return on an investment in Class B shares from inception (March 1, 1993) to the period ended September 30, 1993, was 2.15%. The total return for the period ended September 30, 1993, was 1.24%.

From time to time a "total return at net asset value" may be quoted for a class of shares. It is based on the difference in net asset value per share at the beginning and the end of the period for that class (without considering the sales charge) and takes into consideration the reinvestment of dividends and capital gains (as with total return, described above). The total return at net asset value on Class A shares for the year ended September 30, 1993 was 14.33%. The total return at net asset value on Class B shares for the period ended September 30, 1993 was 6.24%.

From time to time the Fund may publish the ranking of its Class A or Class B shares by Lipper Analytical Services, Inc. ("Lipper"), a widely-recognized independent service, which monitors the performance of regulated investment companies, including the Fund, and ranks their performance for various periods based on categories relating to investment objectives. The performance of the Fund's classes of shares is ranked against all other funds other than money market funds. The Lipper performance analysis includes the reinvestment of capital gains distributions and income dividends but does not take sales charges or taxes into consideration.

From time to time the Fund may publish the ranking of its Class A or Class B shares by Morningstar, Inc., an independent mutual fund monitoring service, that ranks various mutual funds, including the Fund, based upon the Fund's three, five and ten-year average annual total returns (when available) and a risk factor that reflects fund performance relative to three-month U.S. Treasury bill monthly returns. Such returns are adjusted for fees and sales loads. There are five ranking categories with a corresponding number of stars: highest (5), above average (4), neutral (3), below average (2) and lowest (1). Morningstar ranks the Class A and Class B shares of the Fund in relation to other fixed-income funds.

Yield and total return information may be useful to investors in reviewing the Fund's performance. However, a number of factors should be considered before using such information as a basis for comparison with other investments. An investment in the Fund is not insured; its yield and total return are not guaranteed and normally will fluctuate on a daily basis. Yield and total return for any given past period are not an indication or representation by the Fund of future yields or rates of return on its classes of shares. The yield and total return of a class of shares are affected by portfolio quality, portfolio maturity, type of investments held and operating expenses. When comparing yield, total return of an investment in Class A or B shares of the Fund on an investment in the Fund with those of other investment instruments, investors should understand that certain other investment alternatives such as money market instruments, certificates of deposit ("CDs"), U.S.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Government securities or bank accounts provide yields that are fixed or that may vary above a stated minimum, and may be insured or guaranteed.

Tax Status of the Fund. The Fund intends to qualify as a "regulated investment company" under Subchapter M of the Internal Revenue Code. By so qualifying, the Fund will not be subject to Federal income taxes on amounts paid by it as dividends and distributions, as described in the Prospectus. In order to qualify as a "regulated investment company," at the end of each quarter of its taxable year, at least 50% of the aggregate value of the Fund's total assets must consist of cash, cash items, government securities and other securities, the latter limited with respect to each issuer at the time of purchase to not more than 5% of the Fund's total assets. The Fund will endeavor to insure that its assets are so invested so that this requirement is satisfied, but there can be no assurance that it will be successful in doing so.

Tax Status of the Fund's Dividends and Distributions. Under the Internal Revenue Code, by December 31 each year, the Fund must distribute 98% of its taxable investment income earned from January 1 through December 31 of that year and 98% of its capital gains realized from the prior November 1 through October 31 of that year or else the Fund must pay an excise tax on the amounts not distributed. While it is presently anticipated that the Fund's distributions will meet those requirements, the Manager may determine that in a particular year that it would be in the best interests of the Fund not distribute income or capital gains at the mandated levels and to pay the excise tax, which would reduce the amount available for distribution to shareholders.

ADDITIONAL INFORMATION

Description of the Fund. The Fund's Declaration of Trust contains an express disclaimer of shareholder or Trustee liability for the Fund's obligations, and provides for indemnification and reimbursement of expenses out of its property for any shareholder held personally liable for its obligations. The Declaration of Trust also provides that the Fund shall, upon request, assume a defense of any claim made against any shareholder for any act or obligation of the Fund and satisfy any judgment thereon. Thus, while Massachusetts law permits a shareholder of a trust (such as the Fund) to be held personally liable as a partner for the Fund's obligations under certain circumstances, the risk of a Fund shareholder incurring any financial loss on account of shareholder liability is limited to the relatively remote circumstances in which the Fund itself would be unable to meet the obligations described above. Any person doing business with the Fund, and any shareholder of the Fund, agrees under the Fund's Declaration of Trust to look solely to the assets of the Fund for satisfaction of any claim or demand which may arise out of any dealings with the Fund, and the Trustees shall have no personal liability to any such person to the extent permitted by law.

It is not contemplated that regular annual meetings of shareholders will be held. The Fund will hold meetings when required to do so by the Investment Company Act or other applicable law, or when a shareholder meeting is called by the Trustees or upon proper request of the shareholders. Shareholders have the right, upon the declaration in writing or vote of two-thirds of the outstanding shares of the Fund, to remove a Trustee. The Trustees will call a meeting of shareholders to vote on the removal of a Trustee upon the written request of the record holders of 10% of its outstanding shares. In addition, if the Trustees receive a request from at least 10 shareholders (who have been shareholders at least six months) holding shares of the Fund valued at $25,000 or more or holding 1% or more of the Fund's outstanding shares, whichever is less, that they wish to communicate with other shareholders to request a meeting to remove a Trustee, the Trustees will then give the applicants access to the Fund's shareholder list, mail their communication to all other shareholders at the applicants' expense, or take such alternative action as set forth in Section 16(c) of the Investment Company Act.

Dividend Reinvestment in Another Fund. Shareholders of the Fund may elect to reinvest all dividends and/or capital gains distributions in shares of the same class any of the other funds listed in the Prospectus as "Eligible Funds," at net asset value without sales charge. Class B shareholders should be aware that as of the date of this Additional Statement, not all Eligible Funds offer Class B shares. The names of such Funds are listed under "Exchanges of Class B Shares" above. To elect this option, the shareholder must notify the Transfer Agent in writing and either must have an existing account in the fund selected for reinvestment or must obtain a prospectus for that fund and an application from the Distributor to establish an account. The investment will be made at the net asset value per share in effect at the close of business on the payable date of the dividend or distribution. Dividends and/or distributions from other Eligible Funds may be used to purchase shares of this Fund on the same basis.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

The Custodian and the Transfer Agent. The Custodian's responsibilities include safeguarding and controlling the Fund's portfolio securities and cash, collecting income on the portfolio securities and handling the delivery of portfolio securities to and from the Fund. The Manager has represented to the Fund that its banking relationships with the Custodian have been and will continue to be unrelated to and unaffected by the relationship between the Fund and the Custodian. It will be the practice of the Fund to deal with the Custodian in a manner uninfluenced by any banking relationship the Custodian may have with the Manager or its affiliates.

The Transfer Agent, a division of the Manager, is responsible for maintaining the Fund's shareholders registry and shareholder accounting records, and for shareholder servicing and administrative functions.

General Distributor's Agreement. Under the General Distributor's Agreement between the Fund and the Distributor, the Distributor acts as the Fund's principal underwriter in the continuous public offering of the Fund's Class A and Class B shares, but is not obligated to sell a specific number of shares. Expenses normally attributable to sales (other than those paid under the Distribution Plan), including advertising and the cost of printing and mailing prospectuses (other than those furnished to existing shareholders), are borne by the Distributor. During the Fund's fiscal years ended September 30, 1991, 1992 and 1993, the aggregate amounts of sales charges on sales of the Fund's Class A shares were $3,502,042, $6,102,413 and $8,118,017, respectively, of which the Distributor and an affiliated broker-dealer retained, in the aggregate, $664,145, $1,165,277 and $1,410,798 in 1991, 1992, and 1993, respectively.

Independent Auditors. The independent auditors of the Fund audit the Fund's financial statements and perform other related audit services. They act as auditors for certain other investment companies advised by the Manager.

AUTOMATIC WITHDRAWAL PLAN PROVISIONS

By requesting an Automatic Withdrawal Plan, the shareholder agrees to the terms and conditions applicable to such plans, as stated below and elsewhere in the Application for such Plans, and the Prospectus and this Statement of Additional Information as they may be amended from time to time by the Fund and/or the Distributor. When adopted, such amendments will automatically apply to existing Plans.

Fund shares will be redeemed as necessary to meet withdrawal payments. Shares acquired without a sales charge will be redeemed first and thereafter shares acquired with reinvested dividends and distributions followed by shares acquired with a sales charge will be redeemed to the extent necessary to make withdrawal payments. Depending upon the amount withdrawn, the investor's principal may be depleted. Payments made to shareholders under such plans should not be considered as a yield or income on investment. Purchases of additional shares concurrently with withdrawals are undesirable because of sales charges on purchases when made. Accordingly, a shareholder may not maintain an Automatic Withdrawal Plan while simultaneously making regular purchases. The Fund reserves the right to amend, suspend or cease offering such plans at any time without prior notice.

1. The Transfer Agent of the Fund, will administer the Automatic Withdrawal Plan (the "Plan") as agent for the person (the "Planholder") who executed the Plan authorization and application submitted to the Transfer Agent.

2. Certificates will not be issued for shares of the Fund purchased for and held under the Plan, but the Transfer Agent will credit all such shares to the account of the Planholder on the records of the Fund. Any share certificates now held by the Planholder may be surrendered unendorsed to the Transfer Agent with the Plan application so that the shares represented by the certificate may be held under the Plan. Those shares will be carried on the Planholder's Plan Statement.

3. Distributions of capital gains must be reinvested in shares of the Fund, which will be done at net asset value without a sales charge. Dividends may be paid in cash or reinvested.

4. Redemptions of shares in connection with disbursement payments will be made at the net asset value per share determined on the redemption date.

5. Checks or ACH payments will be transmitted three business days prior to the date selected for receipt of the monthly or quarterly payment (the date of receipt is approximate), according to the choice specified in writing by the Planholder.

6. The amount and the interval of disbursement payments and the

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

address to which checks are to be mailed may be changed at any time by the Planholder on written notification to the Transfer Agent. The Planholder should allow at least two weeks' time in mailing such notification before the requested change can be put in effect.

7. The Planholder may, at any time, instruct the Transfer Agent by written notice (in proper form in accordance with the requirements of the then-current Prospectus of the Fund) to redeem all, or any part of, the shares held under the Plan. In such case, the Transfer Agent will redeem the number of shares requested at the net asset value per share in effect in accordance with the Fund's usual redemption procedures and will mail a check for the proceeds of such redemption to the Planholder.

8. The Plan may, at any time, be terminated by the Planholder on written notice to the Transfer Agent, or by the Transfer Agent upon receiving directions to that effect from the Fund. The Transfer Agent will also terminate the Plan upon receipt of evidence satisfactory to it of the death or legal incapacity of the Planholder. Upon termination of the Plan by the Transfer Agent or the Fund, shares remaining unredeemed will be held in an uncertificated account in the name of the Planholder, and the account will continue as a dividend-reinvestment, uncertificated account unless and until proper instructions are received from the Planholder, his executor or guardian, or as otherwise appropriate.

9. For purposes of using shares held under the Plan as collateral, the Planholder may request issuance of a portion of his shares in certificated form. Upon written request from the Planholder, the Transfer Agent will determine the number of shares as to which a certificate may be issued, so as not to cause the withdrawal checks to stop because of exhaustion of uncertificated shares needed to continue payments. Should such uncertificated shares become exhausted, Plan withdrawals will terminate.

10. The Transfer Agent shall incur no liability to the Planholder for any action taken or omitted by the Transfer Agent in good faith.

11. In the event that the Transfer Agent shall cease to act as transfer agent for the Fund, the Planholder will be deemed to have appointed any successor transfer agent to act as his agent in administering the Plan.

LETTERS OF INTENT

In submitting a Letter of Intent to purchase Class A shares of the Fund and other OppenheimerFunds at a reduced sales charge, the investor agrees to the terms of the Prospectus, the Application used to buy such shares, and the language in this Additional Statement as to Letters of Intent, as they may be amended from time to time by the Fund. Such amendments will apply automatically to existing Letters of Intent.

A Letter of Intent ("Letter") is the investor's statement of intention to purchase Class A shares of the Fund (and other eligible OppenheimerFunds sold with a sales charge) during the 13-month period from the investor's first purchase pursuant to the Letter (the "Letter of Intent period"), which may, at the investor's request, include purchases made up to 90 days prior to the date of the Letter. The investor states the intention to make the aggregate amount of purchases (excluding any reinvestments of dividends or distributions or purchases made at net asset value without sales charge), which together with the investor's holdings of such funds (calculated at their respective public offering prices calculated on the date of the Letter) will equal or exceed the amount specified in the Letter to obtain the reduced sales charge rate (as set forth in "How To Buy Shares" in the Prospectus) applicable to purchases of shares in that amount (the "intended amount"). Each purchase under the Letter will be made at the public offering price applicable to a single lump-sum purchase of shares in the intended amount, as described in the applicable prospectus.

In submitting a Letter, the investor makes no commitment to purchase shares, but if the investor's purchases of shares within the Letter of Intent period, when added to the value (at offering price) of the investor's holdings of such fund shares on the last day of that period, do not equal or exceed the intended amount, the investor agrees to pay the additional amount of sales charge applicable to such purchases, as set forth in "Terms of Escrow," below, as those terms may be amended from time to time. The investor agrees that shares equal in value to 5% of the intended amount will be held in escrow by the Fund's transfer agent subject to the Terms of Escrow.

If the total eligible purchases made during the Letter of Intent period do not equal or exceed the intended amount, the commissions previously paid to the dealer of record for the account and the amount of sales charge retained by the Distributor will be adjusted to the rates applicable to actual total purchases. If total eligible purchases during the Letter of Intent period exceed the intended amount and exceed the amount needed to qualify for the next sales charge rate reduction set

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

forth in the applicable prospectus, the sales charges paid will be adjusted to the lower rate, but only if and when the dealer returns to the Distributor the excess of the amount of commissions allowed or paid to the dealer over the amount of commissions that apply to the actual amount of purchases. The excess commissions returned to the Distributor will be used to purchase additional shares for the investor's account at the net asset value per share in effect on the date of such purchase, promptly after the Distributor's receipt thereof.

In determining the total amount of purchases made under a Letter, shares redeemed by the investor prior to the termination of the Letter of Intent period will be deducted. It is the responsibility of the dealer

of record and/or the investor to refer to the Letter in placing any purchase orders for the investor during the Letter of Intent period. All of such purchases must be made through the Distributor.

Terms of Escrow

1. Out of the initial purchase (or subsequent purchases if necessary) made pursuant to a Letter, shares of the Fund equal in value to 5% of the intended amount specified in the Letter shall be held in escrow by the Fund's transfer agent. For example, if the intended amount specified under the Letter is $50,000, the escrow shall be shares valued in the amount of $2,500 (computed at the public offering price adjusted for a $50,000 purchase). Any dividends and capital gains distributions on the escrowed shares will be credited to the investor's account.

2. If the total minimum investment specified under the Letter is completed within the thirteen-month Letter of Intent period, the escrowed shares will be promptly released to the investor.

3. If, at the end of the thirteen-month Letter of Intent period the total purchases pursuant to the Letter are less than the intended amount specified in the Letter, the investor must remit to the Distributor an amount equal to the difference between the dollar amount of sales charges actually paid and the amount of sales charges which would have been paid if the total amount purchased had been made at a single time. Such sales charge adjustment will apply to any shares redeemed prior to the completion of the Letter. If such difference in sales charges is not paid within twenty days after a request from the Distributor or the dealer, the Distributor will, within sixty days of the expiration of the Letter, redeem the number of escrowed shares necessary to realize such difference in sales charges. Full and fractional shares remaining after such redemption will be released from escrow. If a request is received to redeem escrowed shares prior to the payment of such additional sales charge, the sales charge will be withheld from the redemption proceeds.

4. By signing the Letter, the investor irrevocably constitutes and appoints the transfer agent of the Fund as attorney-in-fact to surrender for redemption any or all escrowed shares.

5. The funds whose shares are eligible for purchase under the Letter (or the holding of which may be counted toward completion of the Letter) do not include any fund whose shares are sold without a front-end sales charge or without being subject to a Class A contingent deferred sales charge unless (for the purpose of determining completion of the obligation to purchase shares under the Letter) the shares were acquired in exchange for shares of a fund (described as an "Eligible Fund" in the Prospectus) whose shares were acquired by payment of a sales charge.

6. Shares held in escrow hereunder will automatically be exchanged for shares of another fund to which an exchange is requested, as described in the section of the Prospectus entitled "Exchange Privilege," and the escrow will be transferred to that other fund.

Independent Auditors' Report

The Board of Trustees and Shareholders of Oppenheimer New York Tax-Exempt Fund:

We have audited the accompanying statements of investments and assets and liabilities of Oppenheimer New York Tax-Exempt Fund as of September 30, 1993, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the years in the two-year period then ended and the financial highlights for each of the years in the eight-year period then ended, the ten-month period ended September 30, 1985 and the period from August 16, 1984 (commencement of operations) to November 30, 1984. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with generally accepted auditing

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights. Our procedures included confirmation of securities owned as of September 30, 1993, by correspondence with the custodian. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Oppenheimer New York Tax-Exempt Fund as of September 30, 1993, the results of its operations for the year then ended, the changes in its net assets for each of the years in the two-year period then ended, and the financial highlights for each of the years in the eight-year period then ended, the ten-month period ended September 30, 1985 and the period from August 16, 1984 (commencement of operations) to November 30, 1984, in conformity with generally accepted accounting principles.

KPMG Peat Marwick

Denver, Colorado
October 21, 1993

Statement of Investments September 30, 1993

<TABLE>
<CAPTION>

		Ratings Moody's/S&P's/Fitch's (Unaudited)	Face Amount	Market Value See Note 1
<S>		<C>	<C>	<C>
Municipal Bonds and Notes -- 96.9%				
New York -- 76.2%	Albany, New York Municipal Water Finance Authority Water and Sewer System Revenue Bonds, Series 1986A, MBIA Insured, 7.50%,12/1/17	Aaa/AAA	$ 695,000	$ 811,736
	City of New York General Obligation Bonds:			
	Series A, 7.75%, 8/15/16	Baa1/A-	2,500,000	2,921,850
	Series B, FSA Insured, 7.632%,10/7/07 (2)	Aaa/AAA	7,500,000	8,678,729
	Series B, 8.25%, 6/1/07	Baa1/A-	1,750,000	2,173,351
	Series B, 6.75%, 10/1/15	Baa1/A-	10,550,000	11,487,209
	Series B, 6.75%, 10/1/17	Baa1/A-	7,600,000	8,247,033
	Series F, 8.25%, 11/15/17	Baa1/A-	680,000	817,148
	Prerefunded, Series F, 8.25%, 11/15/17	Aaa/A-	7,820,000	10,039,198
	8.043%, 8/1/08 (2)	Baa1/A-	9,250,000	9,295,620
	9.019%, 8/8/13 (2)	Baa1/A-	5,000,000	5,354,120
	9.019%, 8/1/14 (2)	Baa1/A-	8,150,000	8,727,215
	Dormitory Authority of the State of New York:			
	City University System Consolidated Revenue Bonds:			
	Series A, 5.75%, 7/1/18	Baa1/BBB	2,500,000	2,533,877
	Series A, 5.75%, 7/1/18	Baa1/BBB	6,750,000	6,841,468
	Series A, 7.625%, 7/1/20	Baa1/BBB	5,000,000	5,807,770
	City University System Revenue Bonds, Series C, 6%, 7/1/16	Baa1/BBB	7,000,000	7,190,532
	City University System Revenue Refunding Bonds:			
	Series B, 7.50%, 7/1/06	Baa1/BBB	750,000	842,711
	Series B, 6%, 7/1/14	Baa1/BBB	10,875,000	11,330,444
	Series U, 6.375%, 7/1/08	Baa1/BBB	3,000,000	3,229,638
	Cornell University Revenue Bonds, Series 1986, 6.875%, 7/1/14	Aa/AA	7,000,000	7,546,350
	Department of Health Revenue Bonds, 7.70%, 7/1/20	Baa1/BBB	2,750,000	3,189,540
	Judicial Facilities Revenue Bonds, Prerefunded, MBIA Insured, 7.375%, 7/1/16	Aaa/AAA	2,300,000	2,812,997
	Revenue Bonds, Pooled Capital Program, FGIC Insured, 7.80%, 12/1/05	Aaa/AAA	8,730,000	10,113,225
	Rochester General Hospital Revenue Bonds, FHA Insured, 8.75%, 2/1/25	Aa/AA	1,120,000	1,231,267
	Rockefeller University Revenue Bonds, 7.375%,7/1/14	Aaa/AAA	4,000,000	4,600,856
	State University Educational Facilities Revenue Refunding Bonds:			
	Series A, 5.25%, 5/15/15	Baa1/BBB+	23,090,000	22,110,313
	Series A, 5.25%, 5/15/21	Baa1/BBB+	5,010,000	4,771,378
	Series B, 7%, 5/15/16	Baa1/BBB+	9,020,000	9,988,801
	Prerefunded, Series B, 7.25%, 5/15/15	Baa1/BBB+	1,735,000	2,074,550
	Prerefunded, Series B, 7.25%, 5/15/15	Baa1/BBB+	15,230,000	18,181,147
	Grand Central District Management Assn., Inc.,			

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

	New York Business District Capital Improvement Revenue Bonds, 6.50%, 1/1/22	A1/A	2,000,000	2,171,902
	Metropolitan Transportation Authority of New York:			
	Commuter Facilities Revenue Bonds, Series A, MBIA Insured, 6.125%, 7/1/12	Aaa/AAA	4,090,000	4,438,696

Municipal Bonds and Notes (continued)

		Ratings Moody's/S&P's/Fitch's (Unaudited)	Face Amount	Market Value See Note 1
New York (continued)	Service Contract Revenue Bonds, Transportation Facilities:			
	Series 3, 6%, 7/1/19	Baa1/BBB	$ 3,930,000	$ 4,030,293
	6%, 7/1/21	Baa1/BBB	12,950,000	13,383,047
	New York City Health and Hospital Corp. Revenue Bonds, Series A, 7.94%, 2/15/23 (2)	Aaa/AAA	8,300,000	8,824,941
	New York City Housing Development Corp. Multifamily Housing Revenue Bonds:			
	1985 First Series, FHA Insured, 9.875%, 10/1/17	Aa/AA	500,000	531,740
	Keith Plaza Project, 6.50%, 2/15/18	NR/NR	2,038,879	2,165,782
	Seaview Project, 6.50%, 1/15/18	NR/NR	3,087,346	3,096,178
	New York City Municipal Water Finance Authority Water and Sewer System Revenue Bonds:			
	Series A, MBIA Insured, 7.25%, 6/15/15	Aaa/AAA	7,000,000	8,119,411
	Series B, 6.375%, 6/15/22	A/A-/A	5,750,000	6,202,271
	Prerefunded, Series C, 7.75%, 6/15/20	Aaa/A-	11,500,000	14,254,353
	New York State Energy Research and Development Authority:			
	Electric Facilities Revenue Bonds, Consolidated Edison Co. of New York, Inc. Project:			
	9%, 8/15/20	Aa2/AA-/AA-	8,400,000	9,358,297
	Series B, 6.375%, 12/1/27	Aa2/AA-	10,000,000	10,849,460
	Series C, 7.25%, 11/1/24	Aa2/AA-	3,450,000	3,879,263
	Gas Facilities Revenue Bonds, Regents RIBS, Brooklyn Union Gas Co. Project:			
	Series B, 10.993%, 7/1/26 (2)	A1/A	6,000,000	7,794,977
	Series D, MBIA Insured, 8.047%, 7/8/26 (2)	Aaa/AAA	2,000,000	2,119,388
	Series 1985, 9%, 5/15/15	A1/A	1,250,000	1,378,867
	Long Island Lighting Co.:			
	Series A, 7.15%, 12/1/20	Baa3/BBB-	7,500,000	8,451,022
	Series C, 6.90%, 8/1/22	Baa3/BBB-	9,200,000	10,306,069
	Pollution Control Revenue Bonds:			
	Niagara Mohawk Power Corp. Project, Series 1984A, 11.25%, 7/1/14	Baa2/BBB/BBB-	1,000,000	1,087,358
	Orange and Rockland Utilities, Inc. Projects:			
	Series 1984, 10.25%, 10/1/14	A2/A+	1,700,000	1,840,799
	Series 1985, 9%, 8/1/15	A2/A+/A+	500,000	557,930
	Rochester Gas and Electric Project, Series B, MBIA Insured, 6.50%, 5/15/32	Aaa/AAA	5,000,000	5,511,015
	New York State Housing Finance Agency Revenue Refunding Bonds:			
	New York City Health Facility:			
	Series A, 7.90%, 11/1/99	Baa/A-	3,500,000	3,942,721
	Series A, 8%, 11/1/08	Baa/A-	3,240,000	3,756,022
	State University Construction, Prerefunded, Series A, 7.90%, 11/1/06	Aaa/AAA	1,750,000	2,182,971

Statements of Investments (continued)

Municipal Bonds and Notes (continued)

		Ratings Moody's/S&P's/Fitch's (Unaudited)	Face Amount	Market Value See Note 1
New York (continued)	New York State Local Government Assistance Corp. Revenue Bonds:			
	Series A, 6.50%, 4/1/20	A/A/A+	$ 6,135,000	$ 6,736,892
	Series B, 5.50%, 4/1/21	A/A/A+	12,500,000	12,412,350
	Prerefunded, Series C, 7%, 4/1/21	Aaa/AAA/A+	9,455,000	11,255,136
	Series C, 5.50%, 4/1/22	A/A /A+	16,175,000	16,128,770
	Series D, 6.75%, 4/1/21	A/A/A+	4,700,000	5,301,346
	New York State Medical Care Facilities Finance Agency:			
	Hospital and Nursing Home FHA Mortgage Revenue Bonds, Series B, 6.20%, 8/15/22	NR/AAA	11,470,000	12,284,724
	Hospital and Nursing Home Insured Mortgage Revenue Bonds, Series C, 6.375%, 8/15/29	NR/AAA	10,000,000	10,911,989
	Insured Hospital and Nursing Home Mortgage Revenue Bonds, Series B, FHA Insured, 9.125%, 2/15/25	Aa/A	995,000	1,087,765
	Revenue Bonds:			
	Mental Health Services Facilities Improvement:			
	Series A, 7.70%, 2/15/18	Baa1/BBB+	1,625,000	1,812,707
	Series A, FGIC Insured, 6.375%, 8/15/17	Aaa/AAA/AAA	5,000,000	5,497,275

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

	St. Francis Hospital Project, Series 1988A, FGIC Insured, 7.625%, 11/1/21	Aaa/AAA/AAA	3,000,000	3,464,520
	St. Luke's-Roosevelt Hospital Center Mortgage Revenue Bonds, Prerefunded, Series B, FHA Insured, 7.45%, 2/15/29	NR/AA	7,500,000	8,993,527
	Revenue Refunding Bonds:			
	Long-Term Health Care, Series C, CGIC Insured, 6.40%, 11/1/14	NR/AAA	3,000,000	3,287,409
	Mental Health Services Facilities:			
	Series A, 8.875%, 8/15/07	Baa1/BBB+	13,000,000	15,499,717
	Series B, 7.875%, 8/15/20	Baa1/BBB+	4,945,000	5,822,624
	New York State Mortgage Agency Revenue Bonds:			
	Eighth Series C, Verex Pool Insured, 8.40%, 10/1/17	Aa/NR	2,020,000	2,241,186
	Ninth Series B, 8.30%, 10/1/17	Aa/NR	2,075,000	2,212,588
	Homeowner Mortgage Agency:			
	Series 1, 7.95%, 10/1/21	AA/NR	2,270,000	2,468,441
	Series GG, 7.60%, 10/1/18	Aa/NR	775,000	826,660
	Series UU, 7.75%, 10/1/23	Aa/NR	2,000,000	2,223,080
	New York State Power Authority Revenue and General Purpose Bonds:			
	Series V, 8%, 1/1/17	Aa/AA	3,400,000	3,944,921
	Series Y, 6.50%, 1/1/11	Aa/AA	2,500,000	2,755,657
	Series Y, 6%, 1/1/20	Aa/AA	3,000,000	3,148,731
	New York State Thruway Authority Service Contract Revenue Bonds, Series A, 5.75%, 1/1/19	A1/A	10,000,000	10,375,549

		Ratings Moody's/S&P's/Fitch's (Unaudited)	Face Amount	Market Value See Note 1
Municipal Bonds and Notes (continued)				
New York (continued)	New York State Urban Development Corp. Correction Facilities:			
	Revenue Bonds:			
	Series G, 7.25%, 1/1/14	Baa1/BBB	$ 700,000	$ 783,452
	Series G, 7%, 1/1/17	Baa1/BBB	2,000,000	2,207,578
	Revenue Refunding Bonds:			
	5.50%, 1/1/15	Baa1/BBB/A	10,000,000	9,826,929
	5.50%, 1/1/18	Baa1/BBB/A	17,490,000	17,166,853
	Onondaga County, New York Resources Recovery Agency Revenue Bonds, Resources Recovery Facilities Project, 7%, 5/1/15	Baa/NR/A-	14,500,000	15,881,618
	Port Authority of New York and New Jersey Consolidated Revenue Bonds:			
	Sixty Series, 8.25%, 4/1/23	A1/AA-/AA-	8,775,000	9,507,352
	Sixty-Second Series, 8%, 12/1/23	A1/AA-/AA-	1,370,000	1,515,928
	Sixty-Third Series, 7.875%, 3/1/24	A1/AA-/AA-	9,000,000	10,009,674
	Eighty-Fifth Series, 5.375%, 3/1/28	A1/AA-/AA-	9,000,000	9,141,857
	Interest Certificates, Series Fifty-One E, 5%, 6/1/94	A1/NR	900,000	190,800
	Suffolk County, New York Southwest Sewer District General Obligation Refunding Bonds, Prerefunded, Series B, 22.875%, 2/1/95	NR/AAA	2,500,000	3,134,015
	Triborough Bridge and Tunnel Authority of New York General Purpose Revenue Bonds:			
	Series A, 5%, 1/1/12	Aa/A+	8,000,000	7,839,919
	Series A, 5%, 1/1/15	Aa/A+	7,500,000	7,289,032
	Series X, 6%, 1/1/14	Aa/A+	14,510,000	15,299,444
	Series X, 6.50%, 1/1/19	Aa/A+	2,500,000	2,743,670
	Series Y, 5.50%, 1/1/17	Aa/A+	5,000,000	5,159,475
	United Nations Development Corp. Refunding Bonds, Sr. Lien:			
	Series A, 6%, 7/1/12	A/NR/A+	1,000,000	1,054,285
	Series A, 6%, 7/1/26	A/NR/A+	5,000,000	5,258,054
				607,888,345
U.S. Possessions - -- 20.7%	Puerto Rico Commonwealth Aqueduct and Sewer Authority Revenue Bonds, Prerefunded, 10.25%, 7/1/09	Aaa/AAA	500,000	702,342
	Puerto Rico Commonwealth General Obligation Refunding Bonds:			
	5.25%, 7/1/18	Baa1/A	20,000,000	19,698,639
	Prerefunded, 7.70%, 7/1/20	NR/AAA	5,000,000	6,098,045
	Series A, 6%, 7/1/14	Baa1/A	12,000,000	12,630,359
	YCNS, FSA Insured, 8.882%, 7/1/20 (2)	Aaa/AAA	11,500,000	12,880,793
	Puerto Rico Commonwealth Highway and Transportation Authority Revenue Bonds:			
	Prerefunded, Series S, 6.50%, 7/1/22	Baa1/A	13,500,000	15,688,983
	Prerefunded, Series T, 6.50%, 7/1/22	UR/AAA	2,515,000	2,922,799
	Series W, 7.712%, 7/1/10 (2)	Baa1/A	9,000,000	9,214,991
	Puerto Rico Commonwealth Infrastructure Financing Authority Special Tax Revenue Bonds, Series A, 7.75%, 7/1/08	Baa1/BBB+	6,000,000	6,903,036

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

		Ratings Moody's/S&P's/Fitch's (Unaudited)	Face Amount	Market Value See Note 1
Municipal Bonds and Notes (continued)				
U.S. Possessions (continued)	Puerto Rico Electric Power Authority Revenue Refunding Bonds:			
	Series N, 5%, 7/1/12	Baa1/A-	$ 6,545,000	$ 6,238,130
	Series O, 7.125%, 7/1/14	Baa1/A-	9,380,000	10,473,445
	Series P, 7%, 7/1/21	Baa1/A-	6,000,000	6,819,660
	Puerto Rico Housing Bank and Finance Agency Single Family Mortgage Revenue Bonds, FHA Insured Homeownership-Fourth Portfolio, Prerefunded, 8.50%, 12/1/18	Aaa/NR	1,580,000	2,054,744
	Puerto Rico Housing Finance Corp. Single Family Mortgage Revenue Bonds, 6.85%, 10/15/24	Aaa/AAA	3,250,000	3,446,026
	Puerto Rico Industrial, Medical and Environmental Pollution Control Facilities Financing Authority Revenue Bonds:			
	American Airlines, Inc Project, Series 1985A, 8.75%, 12/1/25	Baa1/BB+	850,000	940,718
	Warner Lambert Co. Project, 7.60%, 5/1/14	Aa3/NR	3,000,000	3,426,750
	Puerto Rico Public Buildings Authority: Guaranteed Public Education and Health Facilities Revenue Bonds:			
	Series J, 7.25%, 7/1/17	Baa1/A	6,000,000	6,941,568
	Series M, 5.75%, 7/1/15	Baa1/A	11,500,000	11,815,536
	Guaranteed Revenue Refunding Bonds, Series L, 5.75%, 7/1/16	Baa1/A	12,100,000	12,431,999
	Puerto Rico Telephone Authority Revenue Bonds:			
	8.02%, 1/16/15 (2)	Aaa/AAA	11,000,000	11,484,494
	Series L, 6.125%, 1/1/22	A/A+	2,000,000	2,135,098
				164,948,155
	Total Municipal Bonds and Notes (Cost $708,223,302)			772,836,500
Short-Term Tax-Exempt Obligations -- 1.6%				
	City of New York General Obligation Bonds, Sub. Series A-4, 3.45% (1)		1,300,000	1,300,000
	Dormitory Authority of the State of New York Revenue Bonds, Cornell University, Series B, 3.50% (1)		4,100,000	4,100,000
	Nassau County, New York Industrial Development Agency Civic Facilities Revenue Bonds, Cold Spring Harbor Laboratory Project, 3.50% (1)		1,000,000	1,000,000
	New York City Housing Development Corp. Special Obligation Revenue Bonds, East 96th Street Project, Series A, 2.80% (1)		700,000	700,000
	New York City Trust Cultural Resources Revenue Bonds:			
	American Museum of Natural History, Series B, MBIA Insured, 2.65% (1)		900,000	900,000
	Carnegie Hall Project, 3.50% (1)		500,000	500,000

		Ratings Moody's/S&P's/Fitch's (Unaudited)	Face Amount	Market Value See Note 1
Short-Term Tax-Exempt Obligations (continued)				
	New York State Energy Research and Development Authority Pollution Control Revenue Bonds, Niagara Mohawk Power Corp. Project, Series A, 3.50% (1)		$1,100,000	$ 1,100,000
	New York State Housing Finance Agency Revenue Refunding Bonds, Normandie Court I Project, 3% (1)		300,000	300,000
	North Hempstead, New York Solid Waste Management Authority Revenue Bonds, 2.90% (1)		400,000	400,000
	Seneca County, New York Industrial Development Agency Civic Facilities Revenue Bonds, New York Chiropractic College, 2.75% (1)		300,000	300,000
	Syracuse, New York Industrial Development Agency Civic Facility Revenue Bonds, Multi-Modal-Syracuse University Project, 3.50% (1)		2,300,000	2,300,000
	Total Short-Term Tax-Exempt Obligations (Cost $12,900,000)			12,900,000

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Total Investments, at Value (Cost $721,123,302)	98.5%	785,736,500
Other Assets Net of Liabilities	1.5	12,155,585
Net Assets	100.0%	$797,892,085

<FN>

(1) Floating or variable rate obligation maturing in more than one year. The interest rate, which is based on specific, or an index of, market interest rates, is subject to change periodically and is the effective rate on September 30, 1993. A demand feature allows the recovery of principal at any time, or at specified intervals not exceeding one year, on up to 30 days' notice.

(2) Represents the current interest rate for a variable rate security.
</TABLE>

See accompanying notes to financial statements.

Statement of Assets and Liabilities September 30, 1993

<TABLE>

<S>	<C>	<C>
Assets	Investments, at value (cost $721,123,302) - see accompanying statement	$785,736,500
	Cash	1,741
	Receivables:	
	Interest	14,078,050
	Shares of beneficial interest sold	4,039,368
	Other	24,733
	Total assets	803,880,392
Liabilities	Payables and other liabilities:	
	Shares of beneficial interest redeemed	2,601,791
	Dividends	2,600,650
	Distribution assistance - Note 4	467,872
	Other	317,994
	Total liabilities	5,988,307
Net Assets		$797,892,085
Composition of Net Assets	Paid-in capital	$725,939,165
	Undistributed net investment income	1,237,047
	Accumulated net realized gain from investment transactions	6,102,675
	Net unrealized appreciation of investments - Note 3	64,613,198
	Net Assets	$797,892,085
Net Asset Value Per Share	Class A Shares:	
	Net asset value and redemption price per share (based on net assets of $756,934,404 and 56,086,649 shares of beneficial interest outstanding)	$ 13.50
	Maximum offering price per share (net asset value plus sales charge of 4.75% of offering price)	$ 14.17
	Class B Shares:	
	Net asset value, redemption price and offering price per share (based on net assets of $40,957,681 and 3,033,381 shares of beneficial interest outstanding)	$ 13.50

</TABLE>

See accompanying notes to financial statements.

Statement of Operations For the Year Ended September 30, 1993

<TABLE>

<S>	<C>	<C>
Investment Income	Interest	$43,553,894
Expenses	Management fees - Note 4	3,486,365
	Distribution assistance:	
	Class A - Note 4	1,554,094
	Class B - Note 4	119,923
	Transfer and shareholder servicing agent fees - Note 4	506,035

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

	Shareholder reports	183,251
	Custodian fees and expenses	109,312
	Registration and filing fees:	
	Class A	47,501
	Class B	12,647
	Trustees' fees and expenses	47,114
	Legal and auditing fees	44,257
	Other	24,084
	Total expenses	6,134,583
Net Investment Income		37,419,311
Realized and Unrealized Gain on Investments	Net realized gain on investments	10,840,246
	Net change in unrealized appreciation of investments:	
	Beginning of year	22,497,324
	End of year - Note 3	64,613,198
	Net change	42,115,874
	Net Realized and Unrealized Gain on Investments	52,956,120
Net Increase in Net Assets Resulting from Operations		$90,375,431

</TABLE>

See accompanying notes to financial statements.

Statements of Changes in Net Assets

<TABLE>
<CAPTION>

		Year Ended September 30, 1993	1992
<S>	<C>	<C>	<C>
Operations	Net investment income	$ 37,419,311	$ 27,660,141
	Net realized gain on investments	10,840,246	3,835,979
	Net change in unrealized appreciation or depreciation of investments	42,115,874	12,865,643
	Net increase in net assets resulting from operations	90,375,431	44,361,763
Dividends and Distributions to Shareholders	Dividends from net investment income:		
	Class A ($.75 per share)	(37,617,756)	(26,049,096)
	Class B ($.37 per share)	(558,098)	--
	Distributions from net realized gain on investments:		
	Class A ($.078 and $.131 per share, respectively)	(3,645,107)	(5,169,994)
Beneficial Interest Transactions	Net increase in net assets resulting from Class A beneficial interest transactions - Note 2	179,235,850	167,637,307
	Net increase in net assets resulting from Class B beneficial interest transactions -- Note 2	39,841,699	--
Net Assets	Total increase	267,632,019	180,779,980
	Beginning of year	530,260,066	349,480,086
	End of year (including undistributed net investment income of $1,237,047 and $1,993,590, respectively)	$797,892,085	$530,260,066

</TABLE>

See accompanying notes to financial statements.

Financial Highlights

<TABLE>
<CAPTION>

	Class A Year Ended September 30, 1993	1992	1991	1990	1989	1988	1987	1986	Ten Months Ended September 30, 1985	Period Ended November 30, 1984+	Class B Period Ended September 30, 1993+++
<S> <C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	
Per Share Operating Data:											
Net asset value, beginning of period	$ 12.59	$ 12.21	$ 11.61	$ 11.87	$ 11.91	$ 11.60	$ 12.51	$ 10.98	$ 10.32	$10.00	$ 13.07
Income from investment operations:											
Net investment income	.73	.79	.81	.83	.84++	.88++	.90++	.86	.76	.22	.36
Net realized and											

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

unrealized gain (loss) on investments	1.01	.47	.64	(.25)	.01	.45	(.79)	1.62	.67	.27	.44
Total income from investment operations	1.74	1.26	1.45	.58	.85	1.33	.11	2.48	1.43	.49	.80
Dividends and distributions to shareholders:											
Dividends from net investment income	(.75)	(.75)	(.81)	(.83)	(.83)	(.94)	(.88)	(.86)	(.77)	(.17)	(.37)
Distributions from net realized gain on investments	(.08)	(.13)	(.04)	(.01)	(.06)	(.08)	(.14)	(.09)	--	--	--
Total dividends and distributions to shareholders	(.83)	(.88)	(.85)	(.84)	(.89)	(1.02)	(1.02)	(.95)	(.77)	(.17)	(.37)
Net asset value, end of period	$ 13.50	$ 12.59	$ 12.21	$ 11.61	$ 11.87	$ 11.91	$ 11.60	$ 12.51	$ 10.98	$10.32	$ 13.50
Total Return, at Net Asset Value**	14.33%	10.72%	12.93%	4.95%	6.91%	11.48%	.29%	22.73%	13.37%	4.96%	6.56%
Ratios/Supplemental Data:											
Net assets, end of period (in thousands)	$756,934	$530,260	$349,480	$250,012	$197,321	$116,931	$79,479	$50,810	$28,166	$3,132	$40,958
Average net assets (in thousands)	$652,327	$436,876	$292,134	$227,504	$156,572	$ 95,996	$65,102	$42,907	$15,240	$1,000	$20,454
Number of shares outstanding at end of period (in thousands)	56,087	42,119	28,617	21,533	16,618	9,817	6,851	4,061	2,565	304	3,033
Ratios to average net assets:											
Net investment income	5.66%	6.33%	6.81%	6.97%	7.07%	7.48%	7.33%	7.10%	8.05%*	8.40%*	4.45%*
Expenses	.91%	.96%	.96%	.99%	.98%++	.90%++	.67%++	.86%	1.00%*	.97%*	1.73%*
Portfolio turnover rate***	39.1%	30.5%	8.9%	13.3%	11.8%	11.7%	22.9%	29.7%	126.3%	17.1%	39.1%

<FN>
*Annualized.

**Assumes a hypothetical initial investment on the business day before the first day of the fiscal year, with all dividends and distributions reinvested in additional shares on the reinvestment date, and redemption at the net asset value calculated on the last business day of the fiscal year. Sales charges are not reflected in the total returns.

***The lesser of purchases or sales of portfolio securities for a period, divided by the monthly average of the market value of portfolio securities owned during the period. Securities with a maturity or expiration date at the time of acquisition of one year or less are excluded from the calculation. Purchases and sales of investment securities (excluding short-term securities) for the year ended September 30, 1993 were $477,133,982 and $250,274,906.

++Net investment income would have been $.83, $.87 and $.88 absent the voluntary assumption of expenses, resulting in an expense ratio of 1.00%, 1.02% and .85% for 1989, 1988 and 1987, respectively.

+++For the period from March 1, 1993 (inception of offering) to September 30, 1993.
</TABLE>

See accompanying notes to financial statements.

Notes to Financial Statements

1. Significant Accounting Policies

Oppenheimer New York Tax-Exempt Fund (the Fund) is registered under the

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Investment Company Act of 1940, as amended, as a diversified, open-end management investment company. The Fund's investment adviser is Oppenheimer Management Corporation (the Manager). The Fund offers both Class A and Class B shares. Class A shares are sold with a front-end sales charge. Class B shares may be subject to a contingent deferred sales charge. Both classes of shares have identical rights to earnings, assets and voting privileges, except that each class has its own distribution plan, expenses directly attributable to a particular class and exclusive voting rights with respect to matters affecting a single class. Class B shares will automatically convert to Class A shares six years after the date of purchase.

The following is a summary of significant accounting policies consistently followed by the Fund. Investment Valuation - Portfolio securities are valued at 4:00 p.m. (New York time) on each trading day. Long-term debt securities are valued by a portfolio pricing service approved by the Board of Trustees. Long-term debt securities which cannot be valued by the approved portfolio pricing service are valued by averaging the mean between the bid and asked prices obtained from two active market makers in such securities. Short-term debt securities having a remaining maturity of 60 days or less are valued at cost (or last determined market value) adjusted for amortization to maturity of any premium or discount. Securities for which market quotes are not readily available are valued under procedures established by the Board of Trustees to determine fair value in good faith.

Allocation of Income, Expenses and Gains and Losses -- Income, expenses (other than those attributable to a specific class) and gains and losses are allocated daily to each class of shares based upon the relative proportion of net assets represented by such class. Operating expenses directly attributable to a specific class are charged against the operations of that class.

Federal Income Taxes - The Fund intends to continue to comply with provisions of the Internal Revenue Code applicable to regulated investment companies and to distribute all of its taxable income, including any net realized gain on investments not offset by loss carryovers, to shareholders. Therefore, no federal income tax provision is required.

Trustees' Fees and Expenses - The Fund has adopted a nonfunded retirement plan for the Fund's independent trustees. Benefits are based on years of service and fees paid to each trustee during the years of service. During the year ended September 30, 1993, a provision of $5,268 was made for the Fund's projected benefit obligations, resulting in an accumulated liability of $104,618. No payments have been made under the plan.

Distributions to Shareholders - The Fund intends to declare dividends separately for Class A and Class B shares from net investment income each regular business day and pay such dividends monthly. Distributions from net realized gains on investments, if any, will be declared at least once each year.

Other - Investment transactions are accounted for on the date the investments are purchased or sold (trade date). Original issue discount on securities purchased is amortized over the life of the respective securities, in accordance with federal income tax requirements. Realized gains and losses on investments and unrealized appreciation and depreciation are determined on an identified cost basis, which is the same basis used for federal income tax purposes.

2. Shares of Beneficial Interest

The Fund has authorized an unlimited number of no par value shares of beneficial interest of each class. Transactions in shares of beneficial interest were as follows:

<TABLE>
<CAPTION>

	Year Ended September 30, 1993+		Year Ended September 30, 1992	
	Shares	Amount	Shares	Amount
<S>	<C>	<C>	<C>	<C>
Class A:				
Sold	18,532,060	$238,699,747	16,859,508	$209,120,247
Dividends and distributions reinvested	2,235,515	28,846,483	1,797,348	22,284,672
Redeemed	(6,800,016)	(88,310,380)	(5,154,578)	(63,767,612)
Net increase	13,967,559	$179,235,850	13,502,278	$167,637,307
Class B:				
Sold	3,044,196	$ 39,986,285	--	$ --
Dividends reinvested	22,045	292,115	--	--
Redeemed	(32,860)	(436,701)	--	--
Net increase	3,033,381	$ 39,841,699	--	$ --

<FN>

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

+ For the year ended September 30, 1993 for Class A shares and for the period from March 1, 1993 (inception of offering) to September 30, 1993 for Class B shares.
</TABLE>

3. Unrealized Gains and Losses on Investments

At September 30, 1993, net unrealized appreciation of investments of $64,613,198 was composed of gross appreciation of $66,833,704, and gross depreciation of $2,220,506.

Notes to Financial Statements (continued)

4. Management Fees and Other Transactions with Affiliates

Management fees paid to the Manager were in accordance with the investment advisory agreement with the Fund which provides for an annual fee of .60% on the first $200 million of net assets, .55% on the next $100 million, .50% on the next $200 million, .45% on the next $250 million, .40% on the next $250 million and .35% on net assets in excess of $1 billion.

For the year ended September 30, 1993, commissions (sales charges paid by investors) on sales of Class A shares totaled $8,118,017, of which $1,410,798 was retained by Oppenheimer Funds Distributor, Inc. (OFDI), a subsidiary of the Manager, as general distributor, and by an affiliated broker-dealer. During the period ended September 30, 1993, OFDI received contingent deferred sales charges of $17,005 upon redemption of Class B shares.

Oppenheimer Shareholder Services (OSS), a division of the Manager, is the transfer and shareholder servicing agent for the Fund, and for other registered investment companies. OSS's total costs of providing such services are allocated ratably to these companies.

Under separate approved plans of distribution, each class may expend up to .25% of its net assets annually to reimburse OFDI for costs incurred in distributing shares of the Fund, including amounts paid to brokers, dealers, banks and other institutions. In addition, Class B shares are subject to an asset-based sales charge of .75% of net assets annually, to reimburse OFDI for sales commissions paid from its own resources at the time of sale and associated financing costs. In the event of termination or discontinuance of the Class B plan of distribution, the Fund would be contractually obligated to pay OFDI for any expenses not previously reimbursed or recovered through contingent deferred sales charges. During the year ended September 30, 1993, OFDI paid $22,168 to an affiliated broker-dealer as reimbursement for Class A distribution-related expenses and retained $119,923 as reimbursement for Class B distribution-related expenses and sales commissions.

APPENDIX A
RATINGS OF INVESTMENTS

Municipal Bonds

Moody's Investors Service Inc. The four highest ratings of Moody's for Municipal Bonds are "Aaa," "Aa," "A" and "Baa". Municipal Bonds rated "Aaa" are judged to be of the "best quality." The rating of "Aa" is assigned to bonds which are of high quality by all standards, but as to which margins of protection or other elements make long-term risks appear somewhat larger than "Aaa" rated Municipal Bonds. The "Aaa" and "Aa" rated bonds comprise what are generally known as high grade bonds. Municipal Bonds which are rated "A" by Moody's possess many favorable investment attributes and are considered upper medium grade obligations. Factors giving security to principal and interest of "A" rated bonds are considered adequate, but elements may be present which suggest a susceptibility to impairment at some time in the future. Municipal Bonds rated Baa are considered medium grade obligations. They are neither highly protected nor poorly secured. Interest payments and principal security appear adequate for the present but certain protective elements may be lacking or may be characteristically unreliable over any great length of time. Moody's applies numerical modifiers "1," "2" and "3" in its bond rating system. The modifier "1" indicates that the security ranks in the higher end of its generic rating category; the modifier "2" indicates a mid-range ranking; and the modifier "3" indicates that the issue ranks in the lower end of its generic rating category.

In addition to the alphabetical rating system described above, Municipal Bonds rated by Moody's which have a demand feature that provides the holder with the ability to periodically tender ("put") the portion of the debt covered by the demand feature, may also have a short-term rating assigned to such demand feature. The short-term rating uses the symbol "VMIG" to distinguish characteristics which include payment upon periodic demand rather than fund or scheduled maturity dates and potential reliance

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

upon external liquidity, as well as other factors. The highest investment quality is designated by the "VMIG 1" rating and the lowest by "VMIG4."

Standard & Poor's Corporation. The four highest ratings of Standard & Poor's for Municipal Bonds are "AAA" (Prime), "AA" (High Grade), "A" (Good Grade), and "BBB" (Medium Grade). Municipal Bonds rated "AAA" are obligations of the highest quality. The rating of "AA" is accorded issues with investment characteristics only slightly less marked than those of the prime quality issues. The category of A describes the third strongest capacity for payment of debt service. Principal and interest payments on bonds in this category are regarded as safe. It differs from the two higher ratings because, with respect to general obligations bonds, there is some weakness, either in the local economic base, in debt burden, in the balance between revenues and expenditures, or in quality of management. Under certain adverse circumstances, any one such weakness might impair the ability of the issuer to meet debt obligations at some future date. With respect to revenue bonds, debt service coverage is good, but not exceptional. Stability of the pledged revenues could show some variations because of increased competition or economic influences on revenues. Basic security provisions, while satisfactory, are less stringent. Management performance appears adequate.

The "BBB" rating is the lowest investment grade security rating. The difference between "A" and "BBB" ratings is that the latter shows more than one fundamental weakness, or one very substantial fundamental weakness, whereas the former shows only one deficiency among the factors considered. With respect to revenue bonds, debt coverage is only fair. Stability of the pledged revenues could show variations, with the revenue flow possibly being subject to erosion over time. Basic security provisions are no more than adequate. Management performance could be stronger. The ratings "AA," "A," and "BBB" may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories.

Municipal Notes

Moody's Investors Service, Inc. Moody's ratings for state and Municipal Notes and other short-term loans are Moody's Investment Grade ("MIG"). Notes bearing the designation "MIG-1" are of the best quality, enjoying strong protection from established cash flows of funds for their servicing or from established and broad-based access to the market for financing. Notes bearing the designation "MIG-2" are of high quality, with ample margins of protection, although not so large as notes rated "MIG-1." Such short-term notes which have demand features may also carry a rating using the symbol "VMIG" as described above, with the designation "MIG 1/VMIG 1" denoting best quality, with superior liquidity support in addition to those characteristics attributable to the designation "MIG-1."

Standard & Poor's Corporation. Standard & Poor's rating for Municipal Notes due in three years or less are "SP-1" and "SP-2." "SP-1" describes issues with a very strong capacity to pay principal and interest and compares with bonds rated "A" by Standard & Poor's; if modified by a plus sign, it compares with bonds rated "AA" or "AAA" by Standard & Poor's. "SP-2" describes issues with a satisfactory capacity to pay principal and interest, and compares with bonds rated "BBB" by Standard & Poor's.

Corporate Debt

The "other debt securities" included in the definition of temporary investments are corporate (as opposed to municipal) debt obligations rated "Aaa," "Aa" or "A" by Moody's or "AAA," "AA" or "A" by Standard & Poor's. Corporate debt obligations rated "AAA" by Standard & Poor's are highest grade obligations. Obligations bearing the rating of "AA" also qualify as high grade obligations and in the majority of instances differ from "AAA" issues only in small degrees. Corporate debt obligations rated "A" by Standard & Poor's are regarded as upper medium grade and have considerable investment strength, but are not entirely free from adverse effects of changes in economic and trade conditions. The Moody's corporate debt ratings of "Aaa," "Aa" and "A" do not differ materially from those set forth above for Municipal Bonds.

Commercial Paper

The commercial paper ratings of "A-1" by Standard & Poor's and "Prime-1" by Moody's are the highest commercial paper ratings of the respective agencies. The issuer's earnings, quality of long-term debt, management and industry position are among the factors considered in assigning such ratings.

APPENDIX B

TAX EQUIVALENT YIELD TABLES

The equivalent yield tables below compare tax-free income with taxable income under Federal, New York State and New York City income tax rates effective January 1, 1993. Combined taxable income refers to the net

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

amount subject to Federal, New York State and New York City income tax after deductions and exemptions. The tables assume that an investor's highest tax bracket applies to the change in taxable income resulting from a switch between taxable and non-taxable investments, that the investor is not subject to the Alternative Minimum Tax and that New York State and local income tax payments are fully deductible for Federal income tax purposes. They do not reflect the phaseout of itemized deductions and personal exemptions at higher income levels, resulting in higher effective tax rates and tax equivalent yields.

<TABLE>
<CAPTION>

New York State Residents

Combined Taxable Income

Single Return		Joint Return			An Oppenheimer New York Tax-Exempt Fund Yield of:	
				Combined Effective Tax Bracket	3.0%	3.5%
					Is Approximately Equivalent to a Taxable Yield of:	
Over	Not Over	Over	Not Over			
<S>	<C>	<C>	<C>	<C>	<C>	<C>
		$ 16,000	$ 22,000	20.10%	3.75%	4.38%
		$ 22,000	$ 26,000	20.95%	3.80%	4.43%
$ 13,000	$ 22,750	$ 26,000	$ 38,000	21.69%	3.83%	4.47%
$ 22,750	$ 55,100	$ 38,000	$ 91,850	33.67%	4.52%	5.28%
$ 55,100	$115,000	$ 91,850	$140,000	36.43%	4.72%	5.51%
$115,000	$250,000	$140,000	$250,000	41.04%	5.09%	5.94%
$250,000		$250,000		44.36%	5.39%	6.29%

</TABLE>

<TABLE>
<CAPTION>
New York State Residents

Combined Taxable Income

Single Return		Joint Return			An Oppenheimer New York Tax-Exempt Fund Yield of:	
				Combined Effective Tax Bracket	4.5%	5.0%
					Is Approximately Equivalent to a Taxable Yield of:	
Over	Not Over	Over	Not Over			
<S>	<C>	<C>	<C>	<C>	<C>	<C>
		$ 16,000	$ 22,000	20.10%	5.63%	6.26%
		$ 22,000	$ 26,000	20.95%	5.69%	6.33%
$ 13,000	$ 22,750	$ 26,000	$ 38,000	21.69%	5.75%	6.39%
$ 22,750	$ 55,100	$ 38,000	$ 91,850	33.67%	6.78%	7.54%
$ 55,100	$115,000	$ 91,850	$140,000	36.43%	7.08%	7.87%
$115,000	$250,000	$140,000	$250,000	41.04%	7.63%	8.48%
$250,000		$250,000		44.36%	8.09%	8.99%

</TABLE>

<TABLE>
<CAPTION>

New York City Residents

Combined Taxable Income

Single Return		Joint Return			An Oppenheimer New York Tax-Exempt Fund Yield of:	
				Combined Effective Tax Bracket	3.0%	3.5%
					Is Approximately Equivalent to a Taxable Yield of:	
Over	Not Over	Over	Not Over			
<S>	<C>	<C>	<C>	<C>	<C>	<C>
		$ 16,000	$ 22,000	23.21%	3.91%	4.56%
		$ 22,000	$ 26,000	24.06%	3.95%	4.61%
		$ 26,000	$ 27,000	24.80%	3.99%	4.65%
$ 15,000	$ 22,750	$ 27,000	$ 38,000	25.33%	4.02%	4.69%
$ 22,750	$ 25,000	$ 38,000	$ 45,000	36.75%	4.74%	5.53%
$ 25,000	$ 55,100	$ 45,000	$ 91,850	36.84%	4.75%	5.54%
$ 55,100	$ 60,000	$ 91,850	$108,000	39.47%	4.96%	5.78%
$ 60,000	$115,000	$108,000	$140,000	39.51%	4.96%	5.79%
$115,000	$250,000	$140,000	$250,000	43.89%	5.35%	6.24%
$250,000		$250,000		47.05%	5.67%	6.61%

</TABLE>

<TABLE>

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

<CAPTION>
New York City Residents

Combined Taxable Income

Single Return Over	Single Return Not Over	Joint Return Over	Joint Return Not Over	Combined Effective Tax Bracket	An Oppenheimer New York Tax-Exempt Fund Yield of: 4.5% Is Approximately Equivalent to a Taxable Yield of:	5.0%
<S>	<C>	<C>	<C>	<C>	<C>	<C>
		$ 16,000	$ 22,000	23.21%	5.86%	6.51%
		$ 22,000	$ 26,000	24.06%	5.93%	6.58%
		$ 26,000	$ 27,000	24.80%	5.98%	6.65%
$ 15,000	$ 22,750	$ 27,000	$ 38,000	25.33%	6.03%	6.70%
$ 22,750	$ 25,000	$ 38,000	$ 45,000	36.75%	7.11%	7.91%
$ 25,000	$ 55,100	$ 45,000	$ 91,850	36.84%	7.12%	7.92%
$ 55,100	$ 60,000	$ 91,850	$108,000	39.47%	7.43%	8.26%
$ 60,000	$115,000	$108,000	$140,000	39.51%	7.44%	8.27%
$115,000	$250,000	$140,000	$250,000	43.89%	8.02%	8.91%
$250,000		$250,000		47.05%	8.50%	9.44%

</TABLE>

Investment Adviser
Oppenheimer Management Corporation
Two World Trade Center
New York, New York 10048

Distributor
Oppenheimer Funds Distributor, Inc.
Two World Trade Center
New York, New York 10048

Transfer and Shareholder Servicing Agent
Oppenheimer Shareholder Services
P.O. Box 5270
Denver, Colorado 80217
1-800-525-7048

Custodian of Portfolio Securities
Citibank, N.A.
399 Park Avenue
New York, New York 10043

Independent Auditors
KPMG Peat Marwick
707 Seventeenth Street
Denver, Colorado 80202

Legal Counsel
Gordon Altman Butowsky Weitzen
Shalov & Wein
114 West 47th Street
New York, New York 10036

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document